IMPERIALISM THE HIGHEST STAGE OF CAPITALISM

A Popular Outline

BY

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Revised Translation

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PREFACE TO THE RUSSIAN EDITION

THE pamphlet here presented to the reader was written by me in Zurich in the spring of 1916. Under the conditions in which I was obliged to work there I naturally suffered from a certain lack of French and English literature and from a very great lack of Russian literature. However, I made use of the principal English work on imperialism, J. A. Hobson's book, with all the care that, in my opinion, this work deserves.

The pamphlet was written with an eye to the tsarist censorship. Hence I was forced not only to confine myself strictly and exclusively to a theoretical, particularly economic, analysis, but also to formulate the few necessary observations on politics with extreme caution, with pointed hints, in that "Esopian" language—that cursed "Esopian" language—to which tsarism forced all revolutionaries whenever they took pen in hand to write a "legal" work.*

It is painful, in these days of freedom, to read again in the pamphlet these passages, mutilated by consideration for the tsarist censorship, gripped and held tight in a vise of iron. How imperialism is the eve of the socialist revolution; how social-chauvinism (Socialism in words, chauvinism in deeds) is the complete betrayal of Socialism, a complete desertion to the side of the bourgeoisie; how this split in the labour movement is connected with the objective conditions of imperialism, *etc.*—of all these things I had then to speak in a "slave" language, and now I must refer the reader who is interested in the question to the reprint of the book which is soon to appear, containing the articles I wrote abroad from 1914 to 1917.** Special attention should be paid to one passage on pages 119-120: *** to make clear to the reader in censor-proof

* "Esopian," after the Greek fable writer Æsop, was the term applied to the allusive and round-about style adopted in "legal" publications by revolutionaries in order to avoid words which would arouse the suspicions of the authorities. Thus, instead of "Social-Democrat" they would write "consistent Marxist." —*Ed.*

** These articles are now reprinted in Vols. XVIII and XIX of the *Collected Works*, which comprise Lenin's writings between 1914 and 1917.—*Ed.*

*** See page 110 of this book.—*Ed.*

form how shamelessly the capitalists and the social-chauvinists who have deserted to their side (whom Kautsky is fighting with so much inconsistency) lie on the question of annexations, how shamelessly they *screen* the annexations of *their* capitalists, I was forced to take as an example . . . Japan! The careful reader will easily substitute Russia for Japan, and Finland, Poland, Courland, the Ukraine, Esthonia, Khiva, Bokhara or other regions peopled by non-great-Russians for Korea.

I entertain the hope that my pamphlet will be of assistance in enquiring into that fundamental economic question, without a study of which it is impossible to understand anything when it comes to evaluating the present war and present-day politics, *viz.*, the question of the economic essence of imperialism.

THE AUTHOR.

PETROGRAD, April 26, 1917.

PREFACE TO THE FRENCH AND GERMAN EDITIONS[2]

As indicated in the preface to the Russian edition, this pamphlet was written in 1916, with an eye to the tsarist censorship. I am unable to revise the whole text at the present time, nor, perhaps would it be advisable since the fundamental purpose of the book was and remains: to present, on the basis of the summarised results of irrefutable bourgeois statistics and admissions by bourgeois scholars of all countries, a *general picture* of capitalist world economy in its international interrelations at the beginning of the twentieth century, on the eve of the first world imperialist war.

To some extent it will even be useful for many Communists in advanced capitalist countries to convince themselves, by the example of this pamphlet, *legal from the standpoint of the tsarist censor*, of the possibility and necessity of making use of even the slight remnants of legality which the Communists still retain in, say, contemporary America or France after the recent wholesale arrests of Communists,* in order to explain the complete falsity of the social-pacifist views and hopes for "world democracy." I shall try to supply in this preface the supplementary material most indispensable to the censored book.

II

In the pamphlet it is proved that the war of 1914-1918 was on both sides imperialist (*i.e.*, an annexationist, predatory, plunderous war), a war for the partition of the world, for the distribution and redistribution of colonies, of "spheres of influence" of finance capital, *etc.*

Now, proof as to what is the true social or, more correctly, the

* Lenin refers to the wholesale raids on Communist organisations conducted in the United States on a national scale early in 1920 by order of Attorney-General Palmer and known as the "Palmer raids," which drove the Communist Party underground for a period of three years.—*Ed.*

true class character of a war is naturally to be found, not in the diplomatic history of the war, but in an analysis of the *objective* positions of the ruling *classes in all* belligerent powers. In order to depict this objective position one must not take single examples or isolated data (in view of the extreme complexity of the phenomena of social life it is always easy to select any number of examples or isolated data to corroborate any point one desires), but the *aggregate* of the data concerning the *bases* of economic life of *all* the belligerent countries and of the *whole* world.

It is precisely such irrefutable summarised data that I quote when describing the *partition of the world* in 1876 and 1914 (in Chapter VI) and the distribution of the *railways* all over the world in 1890 and 1913 (in Chapter VII). Railways are the summation of the most important branches of capitalist industry; coal and iron; the summation and the most striking indices of the development of world trade and bourgeois-democratic civilisation. In the earlier chapters of the book I have shown how the railways are linked up with large-scale production: monopolies, syndicates, cartels, trusts, banks and the financial oligarchy. The uneven distribution of the railways, their uneven development, are the summation of modern monopolist capitalism on a world scale. And this summation shows that imperialist wars are absolutely inevitable on such an economic foundation, *so long as* private ownership in the means of production exists.

The building of railways seems to be a simple, natural, democratic, cultural and civilising enterprise; and that is what it is—in the eyes of bourgeois professors who are paid to depict capitalist slavery in bright colours, and in the eyes of petty-bourgeois philistines. But as a matter of fact the capitalist threads, which with thousands of meshes bind these enterprises to private property in the means of production in general, have converted this construction into an instrument of oppression for a *billion* people (in the colonies and semi-colonies), *i.e.*, for more than half the population of the earth in the subject countries and for the wage-slaves of capitalism in "civilised" lands.

Private property based on the labour of the small owner, free competition, democracy—all these catchwords with which the capitalists and their press deceive the workers and the peasants are things of the distant past. Capitalism has grown into a world

system of colonial oppression and financial strangulation of the overwhelming majority of the people of the world by a handful of "advanced" countries. And this "booty" is shared by two or three world-dominating pirates armed to the teeth (America, England, Japan), who embroil the whole world in *their* war over the division of *their* booty.

III

The Brest-Litovsk peace [3] dictated by monarchist Germany, and later the much more brutal and despicable Versailles peace [4] dictated by the "democratic" republics, America and France, and also by "free" England, have rendered most useful service to mankind by exposing both the hired coolies of the pen of imperialism and the reactionary petty-bourgeois, who, though they call themselves pacifists and Socialists, sang praises to "Wilsonism," and insisted that peace and reform were possible under imperialism.

The tens of millions of dead and maimed left by the war—a war to decide whether the British or the German group of financial marauders should receive the lion's share of the booty—and then those two "peace treaties," must, with a rapidity hitherto unknown, open the eyes of the millions and tens of millions of people, downtrodden, oppressed, deceived and duped by the bourgeoisie. As a result of the universal ruin wrought by the war a world-wide revolutionary crisis is arising which, no matter how protracted and difficult the stages through which it may pass, can end in no other way than in a proletarian revolution and its victory.

The Basle Manifesto of the Second International, which in 1912 gave an evaluation of precisely the war which broke out in 1914, and not of war in general (there are all kinds of wars, including revolutionary wars)—this manifesto remains a monument exposing the whole shameful bankruptcy and treachery of the heroes of the Second International.

For that reason I reproduce this manifesto as a supplement to the present edition *; and again I call upon the reader to note that

* V. I. Lenin, *The Imperialist War*, Vol. XVIII of the *Collected Works*, pp. 468-472; see also Lenin's article "Opportunism and the Collapse of the Second International" in Vol. XIX.—*Ed.*

the heroes of the Second International are evading the passages of this manifesto which speak precisely, clearly and definitely of the connection between that coming war and the proletarian revolution, as assiduously as a thief avoids the place where he has committed a theft.

IV

Special attention has been devoted in this book to a criticism of "Kautskyism," the international ideological tendency represented in every country of the world by the "most prominent theoreticians," the leaders of the Second International (Otto Bauer and Co. in Austria, Ramsay MacDonald and others in England, Albert Thomas in France, *etc., etc.*) and a multitude of Socialists, reformists, pacifists, bourgeois democrats and priests.

This ideological trend is, on the one hand, a product of the disintegration and decay of the Second International, and on the other an inevitable outcome of the ideology of the petty bourgeois who by all the conditions of their life are held captive by bourgeois and democratic prejudices.

The views held by Kautsky and his ilk are a complete renunciation of precisely those revolutionary principles of Marxism which this author defended for decades, especially, for instance, in his struggle against Socialist opportunism (Bernstein, Millerand, Hyndman, Gompers, *etc.*). It is no mere accident, therefore, that the "Kautskyists" all over the world have now united in practical politics with the extreme opportunists (through the Second or yellow International) and with bourgeois governments (through bourgeois coalition governments in which Socialists take part).

The growing proletarian revolutionary movement all over the world in general, and the Communist movement in particular, cannot refrain from analysing and exposing the theoretical errors of "Kautskyism." The more so because pacifism and "democracy" in general, which lay no claim to Marxism whatever, but which exactly like Kautsky and Co. are obscuring the depth of the contradictions of imperialism and the inevitability of the revolutionary crisis engendered by it, are tendencies which are still spread widely all over the world. It is the bounden duty of the party of the proletariat to combat these tendencies and to win away from the bourgeoisie the small proprietors who are duped by them, and

the millions of toilers who live in more or less petty-bourgeois conditions.

V

A few words must be said about Chapter VIII, "Parasitism and the Decay of Capitalism." As it is pointed out in the text of the book, Hilferding, ex-"Marxist," now a comrade-in-arms of Kautsky, and one of the chief exponents of bourgeois reformist policy in the Independent Social-Democratic Party of Germany,[5] has taken a step backward compared with the *frankly* pacifist and reformist Englishman, Hobson, on this question. The international split of the whole labour movement is now quite evident (Second and Third Internationals). Armed struggle and civil war between the two tendencies is now an established fact: the support given to Kolchak and Denikin by the Mensheviks and "Socialist-Revolutionaries" against the Bolsheviks in Russia; the Scheidemanns, Noskes and Co., in conjunction with the bourgeoisie against the Spartacists[6] in Germany; the same thing in Finland, Poland, Hungary, *etc.* What, then, is the economic basis of this world-historic phenomenon?

Precisely the parasitism and decay of capitalism which are the characteristic features of its highest historic stage, *i.e.*, imperialism. As has been proven in this book, capitalism has brought to the fore a *handful* (less than a tenth of the inhabitants of the globe; less than one-fifth, if most "generously" and liberally calculated) of particularly rich and powerful states which plunder the whole world by simply "clipping coupons." Capital exports yield a return of 8 to 10 billion francs per year at pre-war prices, according to pre-war bourgeois statistics. Now, of course, it is much more.

Obviously, out of such enormous *super-profits* (since they are obtained over and above the profits which capitalists squeeze out of the workers of their "own" country) *it is possible to bribe* the labour leaders and an upper stratum of the labour aristocracy. And the capitalists of the "advanced" countries do bribe them; they bribe them in a thousand different ways, direct and indirect, overt and covert.

This stratum of bourgeoisified workers or "labour aristocracy," who have become completely petty-bourgeois in their mode of life,

in the amount of their earnings, and in their point of view, serve as the main support of the Second International, and, in our day, the principal *social* (not military) *support of the bourgeoisie.* They are the real *agents of the bourgeoisie in the labour movement,* the labour lieutenants of the capitalist class,* the real carriers of reformism and chauvinism. In the civil war between the proletariat and the bourgeoisie they inevitably, and in no small numbers, stand on the side of the bourgeoisie, on the side of the "Versaillese" against the "Communards."**

Not the slightest progress can be made toward the solution of the practical problems of the Communist movement and of the coming social revolution unless a clear idea is obtained of the economic roots of this phenomenon and unless its political and social significance is appreciated.

Imperialism is the eve of the proletarian social revolution. This has been confirmed since 1917 on a world scale.

N. LENIN.

July 6, 1920.

* "Labour lieutenants of the capitalist class," written in English in the text.—*Ed.*

** The Versaillese were the counter-revolutionary forces which established their headquarters at Versailles and there plotted the overthrow of the Paris Commune of 1871; the Communards were the revolutionary workers, members and defenders of the Commune.—*Ed.*

IMPERIALISM, THE HIGHEST STAGE OF CAPITALISM

During the past fifteen or twenty years, especially after the Spanish-American War (1898)[7] and the Anglo-Boer War (1899-1902),[8] the economic and also the political literature of the old and new world has more and more often adopted the term "imperialism" in order to characterise the epoch in which we live. In 1902, *Imperialism,* a work by the English economist, J. A. Hobson, was published in London and New York. The author, who adopts the point of view of bourgeois social reformism and pacifism, which in essence is identical with the present position of the ex-Marxist, K. Kautsky, gives a very good and detailed description of the principal economic and political characteristics of imperialism. In 1910, there appeared in Vienna the work of the Austrian Marxist, Rudolf Hilferding, *Das Finanzkapital* (*Finance Capital*). In spite of the author's mistake regarding the theory of money,[9] and in spite of a certain inclination to reconcile Marxism and opportunism, this work affords a very valuable theoretical analysis of "the latest phase of capitalist development," as the subtitle of Hilferding's book reads. Indeed, what has been said of imperialism during the past few years, especially in a great many newspaper and magazine articles on this subject, as well as in the resolutions, for instance, of the Congresses at Chemnitz and Basle (Autumn, 1912), has scarcely gone beyond the ideas expounded, or, more exactly, summed up by the two writers mentioned above.

In what follows we shall attempt to show, as briefly and as popularly as possible, the connection and interrelation between the *principal* economic characteristics of imperialism. We have no opportunity to deal with the non-economic aspect of the question, however worthy it may be.* References to literature and other notes which may not interest all readers we shall put at the end of this pamphlet.**

* By "non-economic" Lenin meant political. The political aspects were omitted because the pamphlet was intended as a legal publication to be passed upon by the tsarist censors.—*Ed.*

** These references are not given in this edition.—*Ed.*

CHAPTER I

CONCENTRATION OF PRODUCTION AND MONOPOLIES

THE enormous growth of industry and the remarkably rapid process of concentration of production in ever larger enterprises represent one of the most characteristic features of capitalism. Modern industrial censuses give us most complete and exact data on this process.

In Germany, for example, of every 1,000 industrial enterprises there were in 1882 three big enterprises—*i.e.*, those employing more than 50 hired workers—six in 1895, nine in 1907; and out of every 100 workers, they employed 22, 30 and 37 respectively. Concentration of production, however, is much more intense than the concentration of workers, since labour in the big enterprises is much more productive. This is shown by the data on steam engines and electric motors. If we take what in Germany is called industry "in the broad sense," *i.e.*, including commerce, transport, *etc.*, we get the following picture: large-scale enterprises, 30,558 out of a total of 3,265,623, or only 0.9 per cent. These employ 5.7 million out of a total of 14.4 million workers, *i.e.*, 39.4 per cent; they use 6.6 million steam horse-power out of 8.8 million, *i.e.*, 75.3 per cent; and 1.2 million kilowatts of electricity out of 1.5 million, or 77.2 per cent.

Less than one one-hundredth of the total number of enterprises use *more than three-fourths* of the total steam and electric power! The 2.97 million small enterprises (employing up to five wage workers) constituting 91 per cent of the total number of enterprises, use only 7 per cent of the steam and electric power. Tens of thousands of the largest enterprises are everything; millions of small ones are nothing.

In 1907, there were 586 establishments in Germany employing one thousand or more workers. They employed nearly one-tenth (1.38 million) of the total number of workers and used almost one-third (32 per cent) of the total steam and electric power.* As

* *Annalen des deutschen Reiches*, 1911, pp. 165-169.

we shall see, financial capital and the banks render this superiority of a handful of the largest enterprises still more crushing, and in the most literal sense of the word, since millions of small, medium, and even some of the big "owners" are in fact in complete subjection to a few hundred millionaire financiers.

In another advanced country of modern capitalism, the United States of America, the growth of concentration of production is still more pronounced. Here statistics deal with industry in the narrow sense of the word, and group enterprises according to the value of their annual output. In 1904 large-scale enterprises, with an annual output of $1,000,000 and over, numbered 1,900 (out of 216,180, *i.e.*, 0.9 per cent). These employed 1.4 million workers (out of 5.5 million, *i.e.*, 25.6 per cent) and their annual output was valued at $5,600,000,000 (out of $14,800,000,000, *i.e.*, 38 per cent). Five years later, in 1909, the corresponding figures were: 3,060 enterprises out of 268,491, *i.e.*, 1.1 per cent, with 2 million workers out of 6.6 million, *i.e.*, 30.5 per cent, and with an output of $9,000,000,000 out of $20,700,000,000, *i.e.*, 43.8 per cent.*

Almost half the total production of all the enterprises of the country is in the hands of *one-hundredth* part of those enterprises! And these 3,000 giant enterprises embrace 268 branches of industry. From this it is clear that, at a certain stage of its development, concentration leads, so to speak, very close to monopoly. For a score or so of giant enterprises can easily arrive at an agreement, while on the other hand, the difficulties of competition and the tendency towards monopoly arise precisely from the large size of the enterprises. This transformation of competition into monopoly is one of the most important—if not the most important—phenomena of the newest capitalist economy, and we must deal with it in greater detail. But first we must clear up one possible misunderstanding.

American statistics say: 3,000 giant enterprises in 250 branches of industry, as if there were only a dozen large-scale enterprises for each branch.

But this is not the case. There are not large enterprises in every branch of industry; and moreover, an extremely important feature of capitalism which has reached its highest stage of development is the so-called *combine*, *i.e.*, the uniting in a single enterprise of

* *Statistical Abstract of the United States*, 1912, p. 202.

different branches of industry, which represent either consecutive stages in the working up of raw material (for example, the smelting of iron ore into pig iron, the conversion of pig iron into steel, and then, perhaps, the manufacture of various steel products), or branches which act as auxiliaries to one another (for example, the utilisation of waste or by-products, the manufacture of packing materials, etc.).

> . . . Combinations—writes Hilferding—levels out the fluctuations of trade and therefore assures to the combined enterprise a more stable rate of profit. Secondly, combination tends to abolish trade. Thirdly, it renders possible technical improvements, and consequently the acquisition of additional profits as compared with those obtained by the "pure" [*i.e.*, non-combined] enterprises. Fourthly, it strengthens the position of the combined enterprise compared with the "pure" ones in the competitive struggle during periods of serious depression [a slump in business, a crisis], when the fall in prices of raw materials does not keep pace with the fall in price of manufactured articles.*

The German bourgeois economist, Heymann, who has devoted a special book to a description of "mixed," *i.e.*, combined, enterprises in the German iron industry, says: "'Pure' enterprises are being crushed between the high price of materials and the low price of the finished product. . . ." Thus we get the following picture:

> There remain, on the one hand, the great coal companies, with an output of several millions of tons, strongly organised in their coal syndicate, and, closely united with them, the great steel works and their syndicate. These gigantic enterprises, producing 400,000 tons of steel per annum, fabulous quantities of ore and coal, enormous quantities of finished products, employ 10,000 workers housed in barracks of factory towns, sometimes owning their own ports and railroads, are typical of the German iron industry. And concentration goes further and further. Individual enterprises are becoming larger and larger. An ever-increasing number of factories, in one or different branches of industry, join together in giant enterprises, backed and directed by a half a dozen big Berlin banks. In the mining industry, the truth of the teaching of Karl Marx on concentration has been definitely proven, in any case in a country, such as ours, which is protected by tariffs and transportation rates. The German mining industry is ripe for expropriation.**

Such is the conclusion which an exceptionally conscientious bourgeois economist had to reach. It must be noted that he seems to place Germany in a special category because her industries are secured by high protective tariffs. But this circumstance could only

* Rudolf Hilferding, *Das Finanzkapital*, 2nd Ed., p. 254.

** Hans Gideon Heymann, *Die gemischten Werke im deutschen Grosseisengewerbe*, Stuttgart, 1904, pp. 256, 278-279.

accelerate concentration and formation of monopolistic manufacturers' combines, cartels, syndicates, *etc.* It is extremely important that in a free-trade country, England, concentration *also* leads to monopoly, although somewhat later and perhaps in a different form. Professor Hermann Levy, in his special study on *Monopolies, Cartels and Trusts,* based on data of British economic development, writes as follows:

> In England a tendency to monopoly is contained in the size of the undertakings and in their high capacity for production. This is so because, to begin with, the huge investments of capital per enterprise, once the movement for concentration has set in, enhances the demand for the procurement of capital for new enterprises and thereby render their launching more difficult. But further (and this we consider the more important point) every new enterprise which aims at keeping pace with the giants of industry which have been created upon the basis of the process of concentration represents such a tremendous quantity of superfluous goods that their turnover is possible only if an enormous increase in demand takes place, or else the superfluity of goods will force prices down to a level which is unprofitable for the new enterprise, as well as for the monopolist combines.

Unlike other countries, where protective tariffs facilitate the formation of cartels, monopolist advantages can, in general, be utilised in Great Britain through cartels and trusts only when the competing enterprises are reduced to a small number, as a rule to some two dozen or so single firms.

> The influence of concentration on the monopoly organisation in big industry is seen here with crystal clearness.*

Fifty years ago, when Marx was writing *Capital,* free competition appeared to the overwhelming majority of economists to be a "natural law." Official science tried, by a conspiracy of silence, to kill the works of Marx which, by a theoretical and historical analysis of capitalism, showed that free competition gives rise to the concentration of production which at a certain stage of its development, leads to monopoly. To-day, monopoly has become a fact. The economists are writing mountains of books in which they describe the various manifestations of monopoly, but continue to declare in chorus that "Marxism stands refuted." But facts are stubborn things, as the English proverb says, and they have to be reckoned with, whether we like it or not. The facts show that differences between various capitalist countries, *e.g.*, in the

* Hermann Levy, *Monopole, Kartelle und Trusts,* Jena, 1909, pp. 290, 296-298.

matter of protection or free trade, necessitate only insignificant variations in the form of monopolies or in the time of their appearance; and the rise of monopolies, as the result of the concentration of production in general, is a general and fundamental law of the present stage of development of capitalism.

For Europe, the time when the new capitalism was *finally* substituted for the old can be established with fair precision: it was the beginning of the twentieth century. In one of the latest comprehensive works on the history of the formation of monopolies, we read:

> Only a few isolated examples of capitalist monopoly can be cited in the period prior to 1860; in these can be discerned the embryo of the forms that are so common to-day, but all that is unquestionably prehistoric to the age of cartels. The real beginning of modern monopoly goes back at the earliest to the 'sixties. Its first important period of development began at the time of the international depression of the 'seventies and continued till the beginning of the 'nineties. . . . If we examine the question from a European point of view, free competition reached its highest point in the 'sixties and 'seventies. It was then that England completed the construction of its old style capitalist organisation. In Germany, this organisation entered into a decisive struggle with handicraft and home industry, and began to create for itself its own forms of existence. . . . The great transformation began with the crash of 1873, or rather, the depression which followed it and which, with a hardly discernible interruption in the early 'eighties and an unusually strong but short-lived boom about 1889, marks twenty-two years of European economic history. . . . During the short boom period of 1889-1890, the system of cartels was widely resorted to in order to take advantage of market conditions. A thoughtless policy forced up prices even more quickly and higher than probably would have been the case otherwise, and nearly all these cartels perished ingloriously in the smash. Another five years of poor business and low prices followed, but a new spirit reigned in industry. The depression was no longer regarded as something to be taken for granted, but as only a pause before another boom.
>
> Thus the cartel movement entered its second phase. Instead of being a transitory phenomenon they became one of the foundations of all economic life. They won one field of industry after another, primarily the working up of raw materials. At the beginning of the 'nineties the cartel system had already acquired—in the organisation of the coke syndicate, on the model of which the coal syndicate was later formed—a cartel technique which has never been really surpassed. For the first time, the great boom at the close of the century and the crisis of 1900-1903 occurred at least in the mining and smelting industries entirely under the ægis of the cartels. While at that time it was taken to be something novel, now, at any rate, the general public takes it as an accepted truism that large spheres of economic life have been, as a general rule, removed from free competition.*

* Th. Vogelstein, "*Die finanzielle Organisation der kapitalistischen Industrie und die Monopolbildungen*" in *Grundriss der Sozialökonomik*, Tübingen, 1914, VI, pp. 222 *ff.*; *cf.* also the same author's "*Kapitalistische Organisationsformen*

Thus, the principal results in the history of monopolies are: 1. In the 'sixties and 'seventies, the highest, furthermost stage of development of free competition with monopolies as barely discernible embryos. 2. After the crisis of 1873, a period of wide development of cartels; but they are still the exception. They are not yet durable. They are still a transitory phenomenon. 3. The boom at the end of the nineteenth century and the crisis of 1900-1903. Cartels become one of the foundations of all economic life. Capitalism has become transformed into imperialism.

Cartels enter into agreements as to conditions of sale, terms of payment, etc. They divide the markets among themselves. They fix the quantity of goods to be produced. They fix prices. They divide the profits among the different enterprises, *etc.*

The number of cartels in Germany was estimated at about 250 in 1896, and at 385 in 1905, with about 12,000 firms participating. But it is generally recognised that these figures are underestimates. From the German industrial statistics for 1907 which we quoted above, it is evident that even the 12,000 largest enterprises certainly used more than half the total steam and electric power. In the United States, the number of trusts in 1900 was 185; in 1907, 250. American statistics divide all industrial enterprises into those that belong to individuals, firms, and corporations. In 1904 the latter comprised 23.6 per cent, and in 1909, 25.9 per cent, *i.e.*, more than one-fourth of the total number of enterprises. In 1904 these works employed 70.6 per cent of the workers and in 1909, 75.6 per cent, three-fourths of the total number. Their respective production at these two dates amounted to $10,900,000,000 and to $16,300,000,000, *i.e.*, 73.7 and 79 per cent of the total.*

Not infrequently, cartels and trusts have concentrated in their hands seven or eight-tenths of the total production of a given branch of industry. The Rhine-Westphalian Coal Syndicate, at the time of its formation in 1893, controlled 86.7 per cent of the hard coal

in der modernen Grossindustrie," Vol. I, *Organisationsformen der Eisenindustrie und Textilindustrie in England und Amerika*, Leipzig, 1910.

* Dr. Riesser, *Die deutschen Grossbanken und ihre Konzentration im Zusammenhange mit der Entwicklung der Gesamtwirtschaft in Deutschland*, 4th Ed., 1912, pp. 148, 149; Robert Liefmann, *Kartelle und Trusts und die Weiterbildung der volkswirtschaftlichen Organisation*, 2nd Ed., 1910, p. 25, 117. (*Cf.* also *Statistical Abstract of the United States*, 1912, p. 202.—*Ed.*)

production of the district. In 1910, it controlled 95.4 per cent.* The monopoly so created assures enormous returns, and leads to the formation of technical-productive units of unprecedented size. The famous oil trust in the United States, the Standard Oil Company, was founded in 1900: **

It has an authorised capital of $150,000,000. It issued $100,000,000 of common and $106,000,000 of preferred shares of stock. From 1900 to 1907 these earned dividends of 48, 48, 45, 44, 36, 40, 40, 40 per cent, $367,000,000 in all. From 1882 to the end of 1907 clear profits to the amount of $889,000,000 were realised, of which $606,000,000 was distributed in dividends. The rest went into the reserve fund. . . .

In 1907 all the plants of the steel trust (United States Steel Corporation) employed no less than 210,180 workers and office employés. . . . The largest enterprise in the German mining industry, the Gelsenkirchen Mining Company (*Gelsenkirchener Bergwerksgesellschaft*) employed 46,048 persons in 1908.***

As early as 1902, the steel trust produced 9 million tons of steel.**** Its steel output constituted, in 1901, 66.3 per cent, and in 1908, 56.1 per cent of the total steel production in the United States; ***** for the same years the output of ore was 43.9 per cent and 46.3 per cent, respectively.

A report of the American government bureau on trusts says:

The concentration of tobacco manufacture in large plants and the specialisation of these plants, to a considerable degree, for particular classes of tobacco, has permitted a somewhat greater utilisation of machine methods of production than is possible for smaller concerns . . . The important relation which machine patents have borne to the development of the Combination is indicated by the fact that almost at its inception it made contracts for the exclusive use of the cigarette machines of the Bonsack Machine Company. . . . In some instances patents have been purchased, only to be set aside and abandoned; in many other instances the company has spent large amounts of money in developing the machines covered by patents to a point of practical utility. . . .

At the end of 1906 the American Tobacco Company controlled two corporations whose only business was the holding of patents for tobacco machinery. . . . In March, 1900, the American Tobacco Company organised the American Machine and Foundry Company and transferred to it all of its machine manufacturing as well as most of its repair work. This company's

* Dr. Fritz Kestner, *Der Organisationszwang. Eine Untersuchung über die Kämpfe zwischen Kartellen und Aussenseitern*, Berlin, 1912, p. 11.

** Holding company was formed in 1899 to replace trust agreement of 1882. —*Ed.*

*** Robert Liefmann, *Beteiligungs- und Finanzierungsgesellschaften. Eine Studie über den modernen Kapitalismus und das Effektenwesen*, Jena, 1909, pp. 212, 218.

**** S. Tschierschky, *Kartell und Trust*, Göttingen, 1903, p. 13.

***** Th. Vogelstein, *Organisationsformen*, p. 275.

plant is at Brooklyn. In 1906 it employed an average of nearly 300 workmen. At its shops the different machines controlled by the American Tobacco Company directly and those controlled by the International Cigar Machinery Company are being developed.*

Other trusts also employ so-called developing engineers whose business it is to devise new methods of production and to test technical improvements. The steel trust pays its workmen and engineers big bonuses for all inventions suitable for improving technique or for lessening costs.**

In the German large-scale industry, *e.g.*, in the chemical industry, which has so tremendously developed during these last few decades, the promotion of technical improvement is similarly organised. By 1908, the process of concentration of production had already given rise to two main "groups" in this industry, which, in their own way, approached a monopoly. At first these groups were "dual alliances" of two pairs of the biggest factories, each having a capital of 20 or 21 million marks; on the one hand the former Meister factory at Höchst-on-Main [formerly Meister, Lucius & Brüning, now Höchster Dye Works—*Ed.*] and Leopold Cassella & Co. at Frankfort-on-Main; and on the other hand the aniline and soda factory at Ludwigshafen-on-Rhine and the former Bayer factory at Elberfeld. In 1905 one of these groups, and in 1908 the other, concluded separate agreements, each with yet another big factory. There resulted two "triple alliances," each with a capital of 40 to 50 million marks, and these "alliances" were beginning to come close to one another, to make "arrangements" about prices, etc.***

Competition is transformed into monopoly. The result is an immense progress towards the socialisation of production. The process of technical invention and improvement, in particular, is becoming socialised.

This is no longer the old type of free competition between manufacturers, scattered and uninformed about one another, and producing for an unknown market. Concentration has reached the point where it is possible to make an approximate survey of all sources of raw material (for example, the iron ore deposits) of a country,

* *Report of the Commissioner of Corporations on the Tobacco Industry*, Part I, Washington, 1909, pp. 266-267, quoted by Dr. Tafel, *Die nordamerikanischen Trusts und ihre Wirkungen auf den Fortschritt der Technik*, Stuttgart, 1913, p. 48.

** Dr. Tafel, *op. cit.*, pp. 48, 49.

*** Riesser, *op. cit.*, p. 547 *ff*. In June, 1916, the newspapers announced the establishment of a big trust embracing the whole of the German chemical industry.

and even, as we shall see, of several countries, or of the whole world. Not only are such surveys made, but these sources are seized by gigantic monopolist associations. An approximate estimate of the capacity of the market is also made, and these associations "divide" it up among themselves by contractual agreement. Skilled labour is monopolised, the best engineers are engaged; the means of transportation—railways in America, steamship companies in Europe and America—are seized. Capitalism, in its imperialist stage, arrives at the threshold of the widest socialisation of production. It drags, as it were, the capitalists, against their will and understanding, into some new social order, which is transitional, leading from complete freedom of competition to complete socialisation.

Production becomes social, but appropriation remains private. The social means of production remain the private property of a few. The general framework of formally recognised free competition remains, and oppression by a few monopolists of the rest of the population becomes a hundred times more intense, more palpable and intolerable.

The German economist Kestner has written a book especially on "the struggle between the cartels and outsiders," *i.e.*, entrepreneurs who did not enter the cartels. He called his book *Compulsory Organisation,** although, in order not to embellish capitalism, he, of course, should have spoken of compulsory submission to monopolist associations. This book is edifying if only for the list it gives of the methods resorted to by monopolist associations in this modern, latest and civilised struggle for "organisation." They are as follows:

1. Cutting off supplies of raw materials ("one of the most important means of compelling entrance into the cartel"); 2. stopping supply of labour by "alliances" (*i.e.*, agreements between the capitalists and the trade unions by which the latter permit their members to work only in trustified enterprises); 3. cutting off local means of transport; 4. closing of trade outlets; 5. agreements with the buyers, by which the latter undertake to trade only with the cartels; 6. systematic price-cutting to ruin "outsiders," *i.e.*, firms which refuse to submit to the monopolists. Millions are spent in order to sell goods for a certain length of time below their cost

* Kestner, *op. cit.*

(in the benzine industry there were cases of prices being lowered from 40 to 22 marks, *i.e.*, reduced by almost half!); 7. cutting off credits; 8. boycott.*

This is no longer a competitive struggle between small and large, between technically developed and backward enterprises. We see here the monopolists throttling those who do not submit to the monopoly, to its yoke, to its dictation. The following is the way in which this process is reflected in the consciousness of a bourgeois economist:

Even in purely economic activity—writes Kestner—a transition is taking place from commercial activity in the old sense of the word towards organisation and speculation. The greatest success no longer goes to the merchant whose technical and commercial experience enables him best of all to estimate the needs of the buyer and, so to speak, to discover latent demand and rouse it effectively; it goes to the speculative genius [?!] who knows how to estimate in advance or at least to sense in advance the organisational development and the possibilities of connections between individual enterprises and the banks.**

Translated into ordinary human language this means that the development of capitalism has arrived at a stage at which, although commodity production still "reigns" and is regarded as the basis of all economic life, it has in reality already been undermined, and the main profits go to the "geniuses" of financial manipulations. At the basis of these swindles and manipulations lies the socialisation of production; but the benefit of the immense progress of humanity in attaining this socialisation goes only to . . . the speculators. We shall see later how the reactionary, petty-bourgeois critique of capitalist imperialism dreams "on this basis" of going back to "free," "peaceful" and "honest" competition.

A lasting rise in prices which results from the formation of cartels—says Kestner—has hitherto been observed only in connection with the most important means of production, particularly coal, iron and potash, and has never been observed for any length of time in manufactured goods. Similarly, the concomitant increase in profits has likewise been confined to the industries which produce means of production. To this observation we must add that industry which works up raw materials [not semi-finished goods] thanks to cartels not only secures advantages in the shape of high profits to the detriment of industries which work up semi-finshed goods, but has acquired a *dominating position* over the latter, which did not exist under free competition.***

* *Ibid.*, pp. 81-137.—*Ed.*

** *Ibid.*, p. 241.—*Ed.*

*** *Ibid.*, p. 254. (Lenin's italics.—*Ed.*)

The words which we have italicised reveal the essential feature which the bourgeois economists recognise so rarely and so reluctantly, and which the modern champions of opportunism, led by Kautsky, so zealously try to evade. A dominating position, and the pressure which goes with it—these are typical features of the "latest phase of capitalist development"; this is what inevitably had to result, and has resulted, from the formation of all-powerful economic monopolies.

We will give one more example of the domination of cartels. It is particularly easy for cartels and monopolies to arise when it is possible to seize all the sources of raw materials, or at least the most important of them. It would be wrong, however, to assume that monopolies do not arise also in branches of industry in which it is impossible to corner the sources of raw materials. The cement industry can find its raw materials everywhere. Yet in Germany it is strongly trustified. The works have been united into regional syndicates: South German, Rhine-Westphalian, *etc.* Monopoly prices have been fixed: 230 to 280 marks a carload, with a cost price of 180 marks! The enterprises pay a dividend of from 12 to 16 per cent—and let us not forget that the "geniuses" of modern speculation know how to pocket big sums in profits besides those they draw by way of dividends. Now, in order to prevent competition in such a profitable industry, the monopolists even stoop to sharp practices. For example, they spread false rumours about the bad condition of the industry; anonymous warnings are published in the newspaper, such as "Capitalists, beware of putting your capital in the cement industry!" Finally they buy up "outsiders" (those outside the trusts) and pay them "indemnities" of from 60 or 80 to 150 thousand marks.* Monopoly finds a way by any and every means, from paying "modest" indemnities to the American device of "applying" dynamite to a competitor.

The idea that cartels can abolish crises is a fable spread by bourgeois economists who at all costs want to put capitalism in a favourable light. On the contrary, when monopoly appears in *some* branches of industry, it increases and intensifies the state of chaos inherent in capitalist production *as a whole*. The disparity between the development of agriculture and that of industry, which is characteristic of capitalism generally, is increased. The privileged

* Ludwig Eschwege, "*Zement*" in *Die Bank*, 1909, I, p. 115 *ff*.

position of the most highly trustified industry, the so-called *heavy* industry, especially coal and iron, causes in other branches of industry "a still greater lack of planning"—as Jeidels, the author of one of the best works on the relationship of the great German banks to industry, admits.*

> The more a national economy is developed—writes Liefmann, an unblushing apologist of capitalism—the greater is the attention given to more risky or foreign enterprises, to such as need a great deal of time to develop, or, finally, to such as are only of local importance.**

The increase of risk is connected in the long run with the prodigious increase of capital, which overflows, as it were, flows abroad, *etc.* At the same time the extremely rapid rate of technical progress gives rise more and more to elements of contradiction between the various aspects of national economy, to a state of chaos and crises. This same Liefmann is obliged to admit that:

> In all probability mankind will again see important technical revolutions in the near future, which will also affect the economic system. . . . [Electricity, aviation. . . .] As a general rule, in such periods of radical economic change, speculation becomes rife.***

Crises of every kind—economic crises most frequently, but not only these—in their turn increase very considerably the tendency towards concentration and monopoly. In this connection, the following reflections of Jeidels on the significance of the crisis of 1900, which was, as we have already seen, the turning-point in the history of modern monopoly, are exceedingly instructive.

> The crisis of 1900 found, side by side with giant enterprises in the basic industries, many "pure" [*i.e.*, not combined] enterprises, with what would be regarded to-day as an obsolete organisation, and which had risen on the crest of the industrial boom. The fall in prices and the falling off of demand forced these "pure" enterprises into difficulties that did not affect the giant combined enterprises at all, or only for a very short time. As a consequence of this, the crisis of 1900 resulted in a far greater concentration of industry than that of 1873. The latter crisis, it is true, brought about a selection, but owing to the level of technical development, this selection could not place the firms which successfully emerged from the crisis in the position of a monopoly. It is precisely this durable and high degree of monopoly that the gigantic enterprises in the iron and electrical industries enjoy to-day—and to a lesser degree the engineering industry, and certain branches of the metallurgical, transport and other industries—owing to the complicated technieal processes

* Otto Jeidels, *Das Verhältnis der deutschen Grossbanken zur Industrie, mit besonderer Berücksichtigung der Eisenindustrie,* Leipzig, 1905, p. 271.

** Liefmann, *Beteiligungsgesellschaften,* p. 434.

*** *Ibid.*, pp. 465, 466.

they employ, to their elaborate organisation and the vast amount of capital invested.*

Monopoly: this is the last word in the "latest phase in the development of capitalism." But we shall only have a very insufficient, incomplete, and poor notion of the real power and the significance of modern monopolies if we do not take into consideration the rôle played by the banks.

* Jeidels, *op. cit.*, p. 108.

CHAPTER II

THE BANKS AND THEIR NEW RÔLE

THE fundamental and primary function of banks is to serve as an intermediary in the making of payments. In so doing the banks transform idle money capital into productive capital, that is, capital producing a profit; they collect all kinds of money incomes and place them at the disposal of the capitalist class.

In proportion as banking develops and becomes concentrated in a small number of institutions, the banks grow from modest intermediaries into all-powerful monopolists having at their command almost all the money capital of all the capitalists and small businessmen, as well as the greater part of the means of production and of the sources of raw materials of a given country or in a number of countries. This transformation of numerous small intermediaries into a handful of monopolists is one of the fundamental processes of the growing of capitalism into capitalist imperialism. For that reason we must first of all deal with concentration in banking.

The combined deposits of the German joint stock banks having a capital of more than a million marks, amounted to 7 billion marks in 1907-1908, while in 1912-1913 they amounted to 9.8 billion marks. Thus in five years there was an increase of 40 per cent. Of the 2.8 billion marks increase, 2.75 billion was divided among 57 banks having a capital of more than 10 million marks. The distribution of the deposits between big and small banks was as follows:*

PERCENTAGE OF TOTAL DEPOSITS

	In the nine big Berlin banks	In the 48 other banks with a capital of more than 10 million marks	In 115 banks with a capital of from 1 to 10 millions	In the small banks (with a capital of less than 1 million)
1907-1908 ..	47	32.5	16.5	4
1912-1913 ...	49	36	12	3

* Alfred Lansburgh, "*Fünf Jahre deutsches Bankwesen*" in *Die Bank*, 1913, II, pp. 726-728.

The small banks are being squeezed out by the big banks, nine of which concentrate in their own hands almost half the total deposits. But we have left out of account here many important details, for instance the transformation of numerous small banks into what are virtually branches of big banks, *etc.* Of this we shall speak later on.

At the end of 1913, Schulze-Gaevernitz estimated the deposits in the nine big Berlin banks at 5.1 billion marks, out of a total of about 10 billion. Taking into consideration not only the deposits, but also the capital of these banks, this author wrote:

> At the end of 1909, the nine big Berlin banks, *together with their affiliated institutions*, controlled 11.3 billion marks, that is, about 83 per cent of the total banking capital of Germany. The *Deutsche Bank*, which *together with its affiliated banks* controls about three billion marks, represents, next to the Prussian State Railways, the biggest and yet the most decentralised accumulation of capital in the Old World.*

We have emphasised the reference to the "affiliated" banks because it concerns one of the most important characteristic features of modern capitalist concentration. Large enterprises, especially banks, not only directly absorb small ones, but also "join" them to themselves, subordinate them, bring them into "their own" group or "concern" (to use the technical term) by "participating" in their capital, by purchasing or exchanging shares, by a system of credits, *etc., etc.* Professor Liefmann has devoted a whole large "work" of about 500 pages to a description of modern "participating and financing companies," ** unfortunately adding "theoretical" reflections of a very poor quality to ill-digested raw material. To what results this "participation" system leads in regard to concentration is best illustrated in the book written by the banker, Riesser, on the big German banks. But before examining his data, we will give one concrete example of the "participation" system.

The *Deutsche Bank* group is one of the largest, if not the largest, of all groups of big banks. In order to trace the main threads which connect all the banks in this group, it is necessary to distinguish between participations of the first, second and third degree, or what amounts to the same thing, between dependence (of the

* Schulze-Gaevernitz, "*Die deutsche Kreditbank*" in *Grundriss der Sozialökonomik*, V, Part 2, Tübingen, 1915, pp. 12, 137. (Lenin's italics.—*Ed.*)

** Liefmann, *Beteiligungsgesellschaften.*

smaller banks on the *Deutsche Bank*) in the first, second and third degree. We then obtain the following picture.*

THE *Deutsche Bank* PARTICIPATES

	Permanently	For an indefinite period	Occasionally	Total
Dependence in the 1st degree	in 17 banks	in 5 banks	in 8 banks	in 30 banks
Dependence in the 2nd degree	of which 9 participate in 34 others		of which 5 participate in 14 others	of which 14 participate in 48 others
Dependence in the 3rd degree	of which 4 participate in 7 others		of which 2 participate in 2 others	of which 6 participate in 9 others

Included in the eight banks dependent on the *Deutsche Bank* in the "first degree," "occasionally," there are three foreign banks: one Austrian, the Vienna "*Bankverein*"; and two Russian, the Siberian Commercial Bank and the Russian Bank for Foreign Trade. Altogether the *Deutsche Bank* group comprises, directly and indirectly, in whole or in part, 87 banks; and the total capital—its own and others'—controlled by the group is estimated at two to three billion marks.

It is obvious that a bank standing at the head of such a group, which enters into arrangements with a half-dozen other banks slightly smaller than itself for conducting especially big and profitable financial operations like state loans, has outgrown the rôle of "intermediary" and has become transformed into an association of a handful of monopolists.

The rapidity with which the concentration of banking proceeded in Germany just at the end of the nineteenth and the beginning of the twentieth centuries is shown by the following data, which we quote in an abridged form from Riesser.** Six big Berlin banks had:

* Alfred Lansburgh, "*Das Beteiligungssystem im deutschen Bankwesen*" in *Die Bank*, 1910, I, pp. 500 *ff*.

** Riesser, *op. cit.*, p. 745.—*Ed.*

Year	Establishments (Main and Branch Offices) in Germany	Deposit and Exchange Offices in Germany	Permanent Participations in German Joint-Stock Banks	Total No. of Offices and Banking Connections *
1895	16	14	1	42
1900	21	40	8	80
1911	104	276	63	450

We see the rapid extension of the thick network of canals which cover the whole country, centralising all capital and all money incomes, transforming thousands upon thousands of scattered economic enterprises into a single national capitalist and then into a world-wide capitalist economic unit. The "decentralisation" that Schulze-Gaevernitz, as an exponent of modern bourgeois political economy, speaks of in the passage previously quoted, really means the subordination of an ever-increasing number of formerly comparatively "independent," or rather strictly local economic units, to a single centre. In reality it is *centralisation*, the enhancement of the rôle, the importance, and the power of monopolist giants.

In the older capitalist countries this "banking network" is still more close. In England (and Ireland), in 1910, the total number of branches of banks was 7,151. Four big banks had each more than 400 branches (from 447 to 689); four others had more than 200 each; and eleven others more than 100 each.

In France, the *three* biggest banks (the *Crédit Lyonnais*, the *Comptoir National d'Escompte* and the *Société Générale*), extended their operations and their network of branches in the following manner: **

Year	Branches and Offices in Paris and Suburbs	Branches in the Provinces	Total	Capital and Surplus (In millions of francs)	Deposits (In millions of francs)
1870	17	47	64	200	427
1890	66	192	258	265	1,245
1909	196	1,033	1,229	887	4,363

To show the character of the "connections" of a big modern bank, Riesser gives the following figures on the number of letters sent and received by the *Disconto-Gesellschaft*, one of the biggest

* Total includes private banking firms in which great banks had silent partnerships.—*Ed.*

** Eugen Kaufmann, *Das französiche Bankwesen, mit besonderer Berücksichtigung der drei Depositen-Grossbanken*, Tübingen, 1911, pp. 356, 362.

banks in Germany and in the whole world (the capital of which amounted to 300 million marks in 1914): *

Year	Letters Received	Letters Sent
1852	6,135	6,292
1870	85,800	87,513
1900	533,102	626,043

The number of accounts in the *Crédit Lyonnais,* a big Paris bank, grew from 28,535 in 1875 to 633,539 in 1912.**

These simple figures show, perhaps better than long explanations, how the concentration of capital and the growth of their turnover is radically altering the significance of the banks. Scattered capitalists are transformed into a single collective capitalist. When carrying the current accounts of a few capitalists, the bank, as it were, transacts a purely technical and exclusively auxiliary operation. When, however, these operations grow to enormous dimensions we find that a handful of monopolists controls all the operations, both commercial and industrial, of capitalist society. They can, through their banking connections, through current accounts and other financial operations, first *exactly ascertain* the standing of the various capitalists, then *control* them, influence them by restricting or increasing, facilitating or hindering their credits, and finally they can *completely determine* their fate, determine their income, deprive them of capital, or enable them quickly to increase their capital rapidly and to enormous proportions, *etc.*

We have just mentioned the 300 million marks capital of the *Disconto-Gesellschaft,* of Berlin. This increase in the capital of the *Disconto-Gesellschaft* was one of the incidents in the struggle for hegemony between two of the biggest Berlin banks—the *Disconto-Gesellschaft* and the *Deutsche Bank.*

In 1870, the former, still a novice, had a capital of only 15 million marks, while the latter had 30 million. In 1908, the former had a capital of 200 million marks, the latter 170 million. In 1914, the former increased its capital to 250 million and the latter by merging with another first-class big bank, the *Schaaffhausen Bankverein,* to 300 million. And, of course, while this struggle for hegemony goes on both banks more and more frequently conclude "agreements" with each other of an increasingly durable character.

* Riesser, *op. cit.,* p. 367.
** Jean Lescure, *L'épargne en France,* Paris, 1914, p. 52.

This development leads banking specialists, who regard economic questions from a standpoint which does not in the least exceed the bounds of most moderate and careful bourgeois reformism, to the following conclusions.

The German review, *Die Bank*, commenting on the increase in the capital of the *Disconto-Gesellschaft* to 300 million marks, wrote:

> Other banks will follow the same road . . . and in time the three hundred men who to-day govern Germany economically, will be reduced to fifty, twenty-five, or even fewer. Nor can it be expected that the latest move towards concentration will be confined to banking. The closer relations between certain banks naturally also entail the bringing together of the manufacturing combines which they support. . . . One fine morning we shall wake up in surprise to see nothing but trusts before our eyes, and to find ourselves faced with the necessity of substituting state monopolies for private monopolies. However, we shall have nothing to reproach ourselves for, except for having allowed things to follow their own course, slightly accelerated by the use of shares of stock.*

This is an example of the impotence of bourgeois journalism, which differs from bourgeois science only in that the latter is less sincere and strives to obscure essentials, to conceal the forest by trees. To be "amazed" at the consequences of concentration; to "reproach" the German capitalist government or capitalist "society" ("ourselves"); to fear that the introduction of stocks might "hasten" concentration, as a German "cartel" specialist, Tschierschky, fears the American trusts and "prefers" the German cartels on the grounds that they, unlike the trusts, "do not hasten technical and economic progress to such an excessive degree"—is not this impotence?**

But facts remain facts. There are no trusts in Germany; there are "only" cartels—but Germany is *governed* by no more than 300 magnates of capital, and their number is constantly diminishing. At all events, the banks in all capitalist countries, under any kind of banking law, tremendously intensify and accelerate the process of concentration of capital and the formation of monopolies.

The banking system, Marx wrote a half a century ago in *Capital*, "presents indeed the form of universal bookkeeping and of distribution of means of production on a social scale, but only the form." ***

* A. Lansburgh, "*Die Bank mit den 300 Millionen*" in *Die Bank*, 1914, I, p. 426.

** Tschierschky, *op. cit.*, p. 128.

*** Karl Marx, *Capital*, Vol. III, p. 712, C. H. Kerr edition. In this edition the phrase "*Verteilung der Produktionsmittel*" is wrongly translated as "distribution of products." In the above passage, this has been corrected to read "distribution of means of production."—*Ed.*

The figures we have quoted on the growth of bank capital, on the increase in the number of offices and branches of the biggest banks, the increase in the number of their accounts, *etc.*, present to us concretely this "universal bookkeeping" of the *whole* capitalist class—and indeed not only of the capitalists, for the banks collect, even though temporarily, all kinds of money incomes of small businessmen, employés, and of a tiny upper stratum of the workers. The "distribution of means of production on a social scale" is what *emerges*, from the formal point of view, from the modern banks, which to the number of from three to six of the biggest banks in France, and from six to eight in Germany, control billions and billions. In its *content*, however, this distribution of means of production is by no means "social" but private, *i.e.*, it conforms to the interests of big capital and primarily of very big monopolist capital, which operates under conditions in which the masses of the population live on the verge of starvation, in which the growth of agriculture lags hopelessly behind the development of industry, and within industry, "heavy industry" exacts tribute from all other branches.

The savings banks and post offices are beginning to compete with the banks in the matter of socialising capitalist economy; they are more "decentralised," that is, their influence extends to a greater number of localities, to more remote places and to wider sections of the population. An American commission collected the following data on the comparative growth of deposits in banks and savings banks.*

DEPOSITS (IN BILLIONS OF MARKS)

	England		France		Germany		
Year	In Banks	In Savings Banks	In Banks	In Savings Banks	In Banks	In Savings Banks	In Credit Societies
1880 ...	8.5	1.6	—	1.0	0.5	2.6	0.4
1888 ...	12.5	2.1	1.5	2.2	1.1	4.5	0.4
1908 ...	23.2	4.2	3.7	4.2	7.1 (1907)	13.9 (1907)	2.2 (1906-07)

As they pay interest on deposits at the rate of 4 and 4¼ per cent, the savings banks must seek "profitable" investments for their capital, they must deal in bills, mortgages, *etc.* The boundaries between the banks and the savings banks "become more and more

* Based on data of National Monetary Comm., *Die Bank*, 1910, p. 1200.

obliterated." The Chambers of Commerce at Bochum and Erfurt, for example, demand that savings banks be "prohibited" from engaging in "purely" banking activities, such as discounting bills of exchange. They also demand restrictions on the "banking" operations of the post office.* The bank magnates seem to be afraid lest state monopoly steal up on them from an unexpected quarter. It goes without saying, however, that this fear is no more than the expression of the rivalry between two department heads in the same office; for, on the one hand, the billions of capital in the savings banks are really controlled, in the last analysis, by *these very same* bank magnates, while, on the other hand, a state monopoly in capitalist society is nothing more than a means of increasing and guaranteeing the income of millionaires in one branch of industry or another who are on the verge of bankruptcy.

The change from the old type of capitalism, in which free competition predominated, to the new capitalism, in which monopoly predominates, is expressed, among other things, by a decrease in the importance of the stock exchange.

> For a long time now,—we read in the German review, *Die Bank*—the stock exchange has ceased to be the indispensable intermediary of exchange that it formerly was, when the banks were not yet able to place the greater part of the securities issued with their clients.**
>
> "Every bank is a stock exchange" is a proverb that becomes truer and truer the bigger the bank and the more advanced the concentration of banking.***
>
> If formerly, in the 'seventies, the stock exchange, flushed with the exuberance of youth [a "delicate" allusion to the crash of 1873, the bucket-shop scandals, *etc.*], introducing the industrialisation of Germany by taking advantage of the speculation in stocks, nowadays the banks and industry are able to get on without its aid. The domination of our big banks over the stock exchange . . . is nothing else than an expression of the completeness of organisation of the German industrial state. If the domain of the automatically functioning economic laws is thereby restricted, and if the domain consciously regulated by the banks is considerably enlarged, the national economic responsibility of a very small number of leading individuals is increased to a formidable extent.****

Thus wrote the German Professor Schulze-Gaevernitz, an apologist for German imperialism, an authority for imperialists of all countries. He tries to gloss over a "detail": that this "conscious regulation" by the banks is robbery of the public by a handful of "completely organised" monopolists. It is not the task of a bourgeois

* *Die Bank*, 1913, II, pp. 811, 1022.

** *Ibid.*, 1914, I, p. 316.

*** Dr. Oscar Stillich, *Geld- und Bankwesen*, Berlin, 1907, p. 169.

**** Schulze-Gaevernitz, *op. cit.*, p. 101.

professor to lay bare the whole mechanism, nor to divulge all the machinations of the banking monopolists, but rather to put them in a favourable light.

In the same way, Riesser, a still more authoritative economist and a bank "leader," tries to explain away with meaningless phrases facts that cannot be denied:

> The stock exchange is steadily losing the ability—which is absolutely indispensable for economy as a whole and for the circulation of securities—of acting not only as a most exact instrument for measuring, but also as an almost automatic regulator of the economic movements which converge on it.*

In other words, the old capitalism, the capitalism of free competition with its absolutely indispensable regulator the stock exchange, is passing away. A new capitalism is succeeding it, which bears obvious features of something transitory, some kind of mixture of free competition and monopoly. The question naturally arises: *into* what is this latest capitalism "changing"? But the bourgeois scholars are afraid to put this question.

> Thirty years ago, freely competing business performed nine-tenths of the economic work outside the sphere of "manual labour." At the present time, nine-tenths of this "brain work" is performed by *functionaries*. Banking is in the forefront of this evolution.**

This admission by Schulze-Gaevernitz once again revolves around the question: into what is this latest capitalism, capitalism in its imperialist stage, changing?

Among the few banks which, as a result of the process of concentration, remain at the head of all capitalist economy, an increasingly marked tendency towards monopolist agreements, towards a *bank trust* is, naturally, to be observed. In America, there are not nine but only *two* very big banks, those of the billionaires Rockefeller and Morgan, which control a capital of eleven billion marks.*** In Germany, the absorption of the *Schaaffhausen Bankverein* by the *Disconto-Gesellschaft*, to which we referred above, was commented on in the following terms by the *Frankfurter Zeitung*, an organ of the stock exchange interests:

> The progressive movement towards concentration of the banks is steadily narrowing the circle of establishments from which it is possible to obtain large credits, and consequently increasing the dependence of large-scale industry

* Riesser, *op. cit.*, p. 582.

** Schulze-Gaevernitz, *op. cit.*, p. 151.

*** "*Der 'Money-Trust'*" in *Die Bank*, 1912, I, p. 435.

upon a small number of banking groups. In view of the close relations between industry and finance the free movement of manufacturing companies which depend on bank capital is restricted. For this reason, large-scale industry is watching the growing trustification of the banks [their unification or conversion into trusts] with mixed feelings. Indeed, we have repeatedly seen the beginnings of agreements between individual big banking concerns, which are tantamount to limiting competition.*

Again and again, the last word in the development of banking is—monopoly.

The close ties that exist between the banks and industry are the very things that bring out most strikingly the new rôle of the banks. When a bank discounts a bill for a certain businessman, opens an account for him, *etc.*, these operations, taken separately, do not in the least diminish the independence of that businessman, and the bank plays no other part than that of a modest intermediary. But when such operations are multiplied and become consolidated, when the bank "accumulates" in its own hands enormous sums of capital, when the keeping of an account for the firm in question enables the bank—and this is what happens—to become increasingly well and fully informed of the economic position of its client, then the result is that the industrial capitalist becomes more and more fully dependent on the bank.

Parallel with this there is being developed a personal connection between the banks and the biggest industrial and commercial enterprises, a fusion of one with another through shareholding, through the appointment of bank directors to the boards of directors of industrial and commercial enterprises, and *vice versa*.

The German economist Jeidels has compiled very complete data on this form of concentration of capital and enterprises. Six of the biggest Berlin banks were represented by their directors in 344 industrial companies; and by their board members in 407 other companies, a total of 751 companies. In 289 companies they had either two representatives on the board of directors, or the chairmanship.** These industrial and commercial companies are engaged in the most varied branches of industry: insurance, transport, restaurants, theatres, art works, *etc.* On the other hand, there were on the boards of directors of the same six banks (in 1910), 51 of the biggest industrialists, including a director of Krupp's, another of the gigantic steamship company, the Hamburg-American Line,

* Schulze-Gaevernitz, *op. cit.*, p. 155. ** Jeidels, *op. cit.*, pp. 161-2.—*Ed.*

etc. From 1895 to 1910, each of these six banks participated in the issues of stocks and bonds of many hundreds of industrial companies (the number ranging from 281 to 419).*

The "personal connection" between the banks and industry is completed by the "personal connection" between both of them and the government.

> Seats on the boards of directors—wrote Jeidels—are freely granted to persons with high-sounding names, and also to ex-civil servants, who are able to do a great deal to facilitate [!] relations with the authorities. . . .**

There is generally a member of parliament or a Berlin city councillor on the board of directors of a big bank. The building and development, so to speak, of the great capitalist monopolies is, therefore, going full steam ahead in every "natural" and "supernatural" way. A certain division of labour among some hundreds of kings of finance of modern capitalist society, is being systematically developed.

> Accompanying this widening of the sphere of activity of individual big industrialists [sharing in the management of banks, *etc.*] and together with the restricting of provincial bank directors to definite industrial regions, there is a growth of specialisation in particular branches of business among the directors of the great financial institutions. This specialisation is only possible when banking is carried on on a large scale, and particularly when it has widespread connections with industry. This division of labour proceeds along two lines: on the one hand, the relations with industry as a whole are entrusted to one director as his special function; on the other, each director assumes the supervision of several isolated enterprises or groups of enterprises engaged in allied occupations or having common interests. [Capitalism has reached the stage of an organised *supervision* of individual firms!] One specialises in domestic industry—sometimes even in West German industry alone. [The West is the most industrialised part of Germany.] Others specialise in relations with foreign states and foreign industry; in information about individual industrialists; in stock exchange transactions. Besides, each bank director is often assigned a locality or a branch of industry; one works mainly on the boards of directors of electric companies, another in the chemical, brewing or sugar beet industry; a third in several isolated industrial undertakings, and at the same time in insurance companies. . . . There can be no doubt that, in proportion as the big banks develop and their operations become diversified, the division of labour among their directors increases with the object and with the result of raising them to some extent above purely banking affairs, and of enabling them to become more capable and competent in general industrial matters, and in special questions affecting certain industries; and of training them for work in the bank's industrial sphere of influence. This system is supplemented by the tendency of the banks to appoint to their boards of directors . . . men

* Jeidels, *op. cit.*, pp. 139, 172, 173; Riesser, *op. cit.*, p. 307.

** Jeidels, *op. cit.*, p. 149.—*Ed.*

who are experts in industrial matters, such as manufacturers and ex-civil servants, especially those formerly employed in the railway and mining departments. . . .*

We find institutions of the same kind, only slightly different in form, in French banking. For instance, one of the three biggest French banks, the *Crédit Lyonnais,* has organised a special financial information service (*service des études financières*), which permanently employs more than 50 engineers, statisticians, economists, lawyers, *etc.,* at a cost of six or seven hundred thousand francs annually. The service is in turn divided into eight sections, of which one collects information especially on industrial establishments, another studies general statistics, a third railway and steamship companies, a fourth securities, a fifth financial reports, *etc.***

The result is twofold: on the one hand an ever stronger fusion, or, as N. I. Bukharin aptly calls it, a concrescence of bank and industrial capital; and on the other hand, a transformation of the banks into institutions of a truly "universal character." On this question we think it necessary to quote the exact terms used by Jeidels, who has best studied the subject:

An examination of the sum total of industrial relationships—he writes—reveals the *universal character* of the financial establishments working for industry. Unlike other forms of banks, and contrary to the demands at times made in text books—according to which banks ought to specialise in a certain field or industry in order to maintain a firm footing—the big banks are striving to make their connections with industrial enterprises as varied and far-reaching as possible, and to remedy more and more the unevenness in the distribution [of capital] among areas and branches of industry, which is revealed in the development of single institutions. . . . One tendency is in the direction of making the ties with industry general; the other to make these ties lasting and intensive. In the six big banks both tendencies are already strongly developed, not completely, but to an essentially equal degree.***

Quite often industrial and commercial circles complain of the "terrorism" of the banks. And it is not surprising that such complaints are voiced, for the big banks "command" in a way that will be seen from the following example. On November 19, 1901, one of the so-called Berlin "D" Banks (the name given to the four biggest banks, whose names begin with the letter D),**** wrote to

* *Ibid.,* pp. 156, 157.

** Eugen Kaufmann, article on the French banks in *Die Bank,* 1909, II, pp. 854-855.—*Ed.*

*** Jeidels, *op. cit.,* p. 180. Lenin's italics.—*Ed.*

**** *Deutsche Bank, Disconto-Gesellschaft, Dresdner Bank,* and *Darmstadter Bank.—Ed.*

the management of the German Central Northwest Cement Syndicate in the following terms:

> We learn from the notice appearing in the *Reichsanzeiger* on the 18th instant that the next general meeting of your company, fixed for the 30th of this month, may be called upon to take measures which are likely to effect alterations in your undertakings to which we cannot subscribe. We deeply regret that, for this reason, we are obliged to withdraw herewith the credit which has been allowed you. . . . If the general meeting referred to does not decide upon anything inacceptable to us, and if we receive suitable guarantees on this matter for the future, we shall have no objection to negotiating with you on the opening of new credits.*

In substance this is the same old complaint about big capital oppressing small capital, but in this case it was a whole syndicate that fell into the category of "small" capital! The old struggle between big and small capital is being resumed on a new and infinitely higher plane. It stands to reason that the billion-mark enterprises of the big banks can set technical progress going in ways that cannot be compared with those of the past. The banks set up, for example, special technical research societies, and of course only "friendly" industrial enterprises benefit from their result. To this category belong the Electric Railway Research Association and the Central Bureau of Scientific and Technical Research, *etc.*, in Germany.

The directors of the big banks themselves cannot fail to see that in this way new conditions of national economy are being created, but they are powerless in the face of these.

> Any one—wrote Jeidels—who has watched, in recent years, the changes in the personnel of directors and managers of the big banks, cannot have failed to notice how power gradually passes into the hands of men who consider the active intervention of the big banks in the general development of industry to be indispensable and of increasing urgency. It often happens that, between these new men and the old bank directors, disagreements, and sometimes personal quarrels, develop. The question in dispute is whether or not the banks, as credit institutions, will suffer from this intervention in industry, whether they are not sacrificing tried principles and an assured profit in favour of a field of activity which has nothing in common with their rôle as intermediaries in providing credit and which is leading them into a field where they are more than ever before subject to the blind forces of trade fluctuations. This is the opinion of many of the older bank directors, while most of the younger men consider intervention in industry to be a necessity, equally as great as that which gave rise, simultaneously with large-scale modern industrial development, to the big banks and modern industrial finance. The two sides are agreed only on

* Stillich, *op. cit.*, p. 147.

the point: that as yet there are neither firm principles nor a concrete aim in the new activities of the big banks.*

The old capitalism has had its day. The new represents a transition towards something. It is hopeless, of course, to seek for "firm principles and a concrete aim" for the purpose of "reconciling" monopoly with free competition. The admission of practical men has quite a different ring from the official praises of the charms of "organised" capitalism sung by its apologists such as Schulze-Gaevernitz, Liefmann and similar "theoreticians."

In just what period was the "new activity" of the big banks finally established? Jeidels gives us a fairly exact answer to this important question:

> The ties between industrial enterprises, with their new content, their new forms and their new organs, namely, the big banks organised on both a centralised and a decentralised basis, were hardly a characteristic economic phenomenon before the 'nineties; in one sense, indeed, this initial date may be advanced to the year 1897, when the great mergers took place by which, for the first time, the new form of decentralised organisation, corresponding to the industrial policy of the banks, was introduced. This starting point could, perhaps, be put even at a later date, for it was only the crisis [of 1900] which enormously accelerated the process of concentration in industry and banking, consolidated that process, and for the first time gave the big banks a monopoly over relations with industry and made these relations markedly closer and more active.**

Thus, the beginning of the twentieth century marks the turning point from the old capitalism to the new, from the domination of capital in general to the domination of finance capital.

* Jeidels, *op. cit.*, pp. 183, 184.
** *Ibid.*, p. 181.

CHAPTER III

FINANCE CAPITAL AND FINANCIAL OLIGARCHY

An ever-increasing portion of industrial capital—says Hilferding—does not belong to the industrialists who employ it. They obtain the use of it only through the bank, which, as against them, represents the owner of the capital. On the other hand, the bank is forced to leave an increasing share of its funds in industry. Thus, to an ever-increasing degree the bank is being transformed into an industrial capitalist. This bank capital, *i.e.*, capital in the form of money which is thus transformed into industrial capital, I call "finance capital." . . . Finance capital is therefore "capital controlled by the banks and utilised by the industrialists." *

THIS definition is incomplete in so far as it is silent on one of the most important points, namely, the growth of concentration of production and of capital to such a great extent that the concentration leads and has led to monopoly. But throughout the whole of Hilferding's exposition, and particularly in the two chapters which precede the one from which this definition is taken, the rôle of *capitalist monopolies* is stressed.

The concentration of production, the monopolies arising therefrom, the merging or concrescence of banks with industry: this is the history of the rise of finance capital and the content of this concept.

We now have to go on to the description of how, under commodity production and private property, the "domination" of capitalist monopolies inevitably becomes the domination of a financial oligarchy. It should be noted that the representatives of German bourgeois science—and not alone of German science—like Riesser, Schulze-Gaevernitz, Liefmann, *etc.*—are all apologists for imperialism and for finance capital. Instead of revealing the "mechanics" of the formation of the oligarchy, its methods, the extent of its "innocent and sinful" revenues, its connections with parliament, *etc.*, *etc.*, they conceal, obscure and embellish them. They evade these "vexing questions," by a few vague and pompous phrases: appeals to "the sense of responsibility" of bank directors, by praising "the sense of duty" of Prussian officials; by seriously considering details

* Hilferding, *op. cit.*, p. 301.

of empty legislative projects for "supervision" and "regulation"; playing with theories, like, for example, the following "scientific" definition, arrived at by Professor Liefmann. "*Commerce is trading activity concerned with the collection and storing of goods and making them available*" (the professor's italics).* From this it would follow that primitive man, who as yet knew nothing about exchange, engaged in commerce, and that it will also exist in socialist society!

But the monstrous facts concerning the monstrous rule of the financial oligarchy are so striking that in all capitalist countries, in America, France and Germany, a whole literature has sprung up, written from the *bourgeois* point of view, but which nevertheless gives a fairly accurate picture and criticism—*petty bourgeois* naturally—of this financial oligarchy.

As the cornerstone, ought to be taken that very "system of participation" of which we have already briefly spoken above. The German economist, Heymann, probably the first to call attention to this, describes its essence in this way:

> The director controls the parent company; the latter the "daughter companies" which in turn control "grand-children companies," *etc.* Thus, it is possible with a comparatively small capital to dominate immense spheres of production; for if holding 50 per cent of the capital is always sufficient to control a company, the director needs only one million to control eight millions in "grand-children companies." And if this system is extended, it is possible with one million to control sixteen, thirty-two or more millions.**

Experience shows that it is sufficient to own 40 per cent of the shares of a company in order to control its affairs, for a certain number of the scattered, small shareholders find it impossible in practice to attend general meetings, *etc.* The "democratisation" of the ownership of shares, from which the bourgeois sophists and opportunist "would-be Social-Democrats" expect (or claim that they expect) the "democratisation of capital," the strengthening of the rôle and importance of the small manufacturer, *etc.*, is, in fact, one of the ways of increasing the power of the financial oligarchy. For this reason, among others, in the more advanced, or in the older and more "experienced" capitalist countries, the law allows the issue of shares of smaller denomination. In Germany, it is illegal to issue shares of lower face value than one thousand marks, and the magnates of German finance look with an envious eye on

* Liefmann, *Beteiligungsgesellschaften*, p. 476.

** Heymann, *op. cit.*, pp. 268, 269.

England, where it is legal to issue one-pound shares. Siemens, one of the biggest industrialists and "financial kings" in Germany, told the Reichstag on June 7, 1900, that "the one-pound share is the basis of British imperialism." * This merchant has a much deeper and more "Marxian" understanding of imperialism than a certain disreputable writer, considered the founder of Russian Marxism, who believes that imperialism is a fault peculiar to only one nation. . . .**

But the "system of participation" not only serves to increase enormously the power of the monopolists; it also enables them with impunity to resort to all sorts of shady and unsavoury tricks to cheat the public, for the directors of the "mother company" are not legally responsible for the "daughter company," which is considered "independent," and *through the medium* of which they can put through *anything*. Here is an example taken from the German review, *Die Bank*, for May, 1914:

The Steel Spring Corporation of Cassel, for instance, was some years ago one of the most profitable enterprises in Germany. Through bad management . . . its dividends fell from 15 per cent to nil. It appears that the board, without the knowledge of the shareholders, had loaned *six million marks* to one of the "daughter companies," the Hassia Corporation, which had a nominal capital of only some hundreds of thousands of marks. This loan, amounting to nearly treble the capital of the parent company, was never mentioned in its balance sheets. This omission was quite legal, and could be continued for two whole years because it did not violate any provision of commercial law. The chairman of the board of directors, who as the responsible head signed the false balance sheets, was and is still the president of the Cassel Chamber of Commerce. The shareholders only heard of the loan to the Hassia Corporation long afterwards, when it had proved a blunder [a word the writer should have put in quotation marks], and when Steel Spring shares, as a result of sales by those in the know, had lost nearly all their value. . . .

. . . *This typical example of balance sheet jugglery, quite common in joint stock companies*, explains why the boards of directors are more willing to undertake risky transactions than are private businessmen. Modern methods of drawing up balance sheets not only make it easy to conceal risky undertakings from the average shareholder, but also allow the people most concerned to avoid responsibility by getting rid of their shares in time if things turn out badly, whereas the private businessman has to answer for everything he does.

The balance sheets of many joint stock companies put us in mind of the palimpsests *** of the Middle Ages, from which one had first to erase the visible

* Schulze-Gaevernitz, *op. cit.*, p. 110.

** The reference is to Plekhanov.—*Ed.*

*** Palimpsests are parchment documents from which the original inscriptions have been erased and other inscriptions imposed.

inscription in order to decipher the signs beneath, giving the real meaning of the document. . . .

The simplest and, therefore, most common procedure for making balance sheets indecipherable is to divide a business into several parts by setting up or acquiring "daughter companies." The advantages of this system for various objects—legal and illegal—are so evident it is quite unusual to find an important company in which it is not actually in use.*

As an example of a very big monopolist company very widely employing this system, the author names the famous *Allgemeine Elektrizitäts-Gesellschaft*, the A.E.G. to which we shall return later. In 1912, it was calculated that this company held shares in *from 175 to 200* others, controlling them, of course, and thus having control of a total capital of about 1,500 million marks.**

All rules of control, the publication of balance sheets, the drawing up of balance sheets according to a definite form, the establishment of inspection, *etc.*, the things about which well intentioned professors and officials—that is, those with the good intention of defending and beautifying capitalism—call to the attention of the public, are of no avail. For private property is sacred, and no one can be prohibited from buying, selling, exchanging or hypothecating shares, *etc.*

The extent to which this "system of participation" has developed in the big Russian banks may be judged by the figures given by E. Agahd, who was for fifteen years an official of the Russo-Chinese bank, and in May, 1914, published a book not altogether correctly entitled *Big Banks and the World Market.****

The author divides the big Russian banks into two basic categories: (a) those which operate under the "system of participation"; (b) "independent" banks (the independence of the latter being arbitrarily taken to mean independence of *foreign* banks). The author subdivides the first group into three sub-groups: (1) German, (2) British and (3) French, having in mind "participation" and control of the very big foreign banks of the given nationality. The author

* Ludwig Eschwege, "*Tochtergesellschaften*" in *Die Bank*, 1914, I, pp. 544-546. (Lenin's italics.—*Ed.*)

** Kurt Heinig, "*Der Weg des Elektrotrusts*" in *Die Neue Zeit*, 1912, II, p. 484 *n.*

*** E. Agahd, *Grossbanken und Weltmarkt. Die wirtschaftliche und politische Bedeutung der Grossbanken im Weltmarkt, unter Berücksichtigung ihres Einflusses auf Russlands Volkswirtschaft und die deutsch-russischen Beziehungen*, Berlin, 1914, pp. 84, 116, 117, 212.

divides the capital of the banks into "productive" capital (invested in industrial or commercial undertakings), and "speculative" capital (invested in stock exchange transactions and financial operations), assuming, from the characteristic petty-bourgeois-reformist point of view, that it is possible even under capitalism to separate the first form of investment from the second and to abolish the second form.

Here are his figures:

ASSETS OF THE BANKS, OCTOBER-NOVEMBER, 1913 (In Millions of Rubles)

	Assets		
	Productive	Speculative	Total
Russian Banks			
A. Under the "System of Participation"			
1. German participation Four banks: Siberian Commercial, Russian, International, and Discount......	413.7	859.1	1,272.8
2. English participation Two banks: Russian Commercial and Industrial, and Russo-British..........	239.3	169.1	408.4
3. French participation Five banks: Russo-Asiatic, St. Petersburg Private, Azov-Don, Union Moscow, Russo-French Commercial.......	711.8	661.2	1,373.0
Total (11 banks)..............	1,364.8	1,689.4	3,054.2
B. Independent Russian Banks Eight banks: Moscow Merchants, Volga-Kama Commercial, I. W. Junker & Co., St. Petersburg Commercial (formerly Wawelberg), Moscow Bank (formerly Rýabushinsky), Moscow Discount, Moscow Commercial, and Moscow Private..............	504.2	391.1	895.3
Total (19 banks)..............	1,869.0	2,080.5	3,949.5

According to these figures, of the almost four billion roubles making up the "working" funds of the big banks, *more than three-fourths*, more than three billions, belonged to banks which in reality were only subsidiary companies of foreign banks, and chiefly of the Paris banks (the famous trio: *Banque de l'Union Parisienne, Banque de Paris et des Pays-Bas* and *Société Générale*) and the Berlin banks (especially the *Deutsche Bank* and *Disconto-Gesellschaft*). Two of the most important Russian banks, the "Russian" (Russian Bank for Foreign Trade) and the "Interna-

tional" (St. Petersburg International Commercial Bank), increased their capital from 44 to 98 million rubles between 1906 and 1912, and their reserves from 15 to 39 millions, "employing three-fourths German capital." The first bank belongs to the Berlin *Deutsche Bank* group, and the second to the Berlin *Disconto-Gesellschaft.* The worthy Agahd is highly indignant at the fact that the majority of the shares are in the hands of Berlin banks, and that therefore the Russian shareholders are powerless. Naturally, the country which exports capital takes the cream: for example, the Berlin *Deutsche Bank,* while introducing the shares of the Siberian Commercial Bank in Berlin, kept them in its portfolio for a year, and then sold them at 193 (par 100), that is, at nearly twice their nominal value, "earning" a profit of about 6 million rubles, which Hilferding calls "founders' profits." [10]

The author puts the total "strength" of the biggest St. Petersburg banks at 8,235 million rubles, about 8¼ billions; * the "participation," or rather, the extent to which foreign banks dominated them, he distributes as follows: French banks, 55 per cent; English, ten per cent; German, 35 per cent. Of the total of 8,235 million rubles of active resources. 3,687 millions, or over 40 per cent, belongs, according to the calculation of the author, to the *Produgol* [Coal.—*Ed.*] [11] and *Prodamet* [Metal.—*Ed.*] [12] syndicates, and to the syndicates in the oil, metallurgical and cement industries. Thus, the fusion of banks and industrial capital has made great strides in Russia in connection with the formation of capitalist monopolies.

Finance capital, concentrated in a few hands and exercising a virtual monopoly, exacts enormous and ever-increasing profits from the floating of companies, issuance of stock, state loans, *etc.*, tightens the grip of financial oligarchies and levies tribute on the whole of society for the benefit of monopolists. Here is one of the innumerable examples of control of American trusts quoted by Hilferding: In 1887, Havemeyer founded the Sugar Trust by amalgamating fifteen small firms, whose total capital amounted to $6,500,000. Suitably "watered," [13] as the Americans say, the capital of the new trust was fixed at $50,000,000. This "over-capitalisation" discounted the future profits of the monopoly, in the same way as the American Steel Trust discounts its profits by buying

* Assets of banks plus assets of syndicates they control.—*Ed.*

up as many iron ore lands as possible. In fact, the sugar trust managed to impose its monopoly prices, which secured it such profits that it was able to pay 10 per cent dividends on capital "watered" *seven-fold, or about 70 per cent on the capital actually invested at the time the trust was formed!* In 1909, the capital of the trust was $90,000,000. In twenty-two years, it had increased its capital more than tenfold.*

In France, the rule of the "financial oligarchy" ("Against the Financial Oligarchy in France," the title of the well-known book by Lysis, the fifth edition of which appeared in 1908) assumed a form that was only slightly different. Four of the very biggest banks enjoy not a relative, but an "absolute monopoly" in the issuance of bonds. This is really a "trust of the big banks." And the monopoly ensures them monopolist profits from bond issues. A country borrowing from France rarely gets more than 90 per cent of the total of the loan, 10 per cent goes to the banks and other intermediaries. The profit made by the banks on the Russo-Chinese 400 million franc loan amounted to 8 per cent; on the Russian (1904) 800 million franc loan, 10 per cent; and on the Moroccan (1904) 62.5 million franc loan, 18.75 per cent. Capitalism, which began its development with petty usury capital, ends its development with gigantic usury capital. "The French," says Lysis, "are the usurers of Europe." All the conditions of economic life are profoundly modified by this transformation of capitalism. With a stationary population and stagnant industry, commerce, and shipping, the "country" can grow rich by usury. "Fifty persons representing a capital of 8 million francs can control *two billion* in four banks." The "system of participation," with which we are already familiar, leads to the same result. One of the biggest banks, the *Société Générale,* issued 64,000 bonds of its subsidiary, the Egyptian Sugar Refineries. The bonds were issued at 150, the bank gaining 50 cents on every dollar. The dividends of this company were found to be fictitious; the "public" lost from 90 to 100 million francs; one of the directors of the *Société Générale* was a member of the board of directors of the Egyptian Refineries. Hence it is not surprising that the author is driven to the conclusion that "the French Republic is a financial monarchy; the

* Hilferding, *op. cit.*, p. 299.—*Ed.*

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financial oligarchy is the supreme power; it controls the press and the government." *

The extraordinarily high rate of profit obtained from the issuance of bonds, which is one of the principal functions of finance capital, plays a very large part in the development and consolidation of the financial oligarchy. "There is not in the whole country a single business of this kind that brings in profits anywhere near those obtained from the handling of foreign loans," say the German journal *Die Bank*.**

"No banking operation brings in such high profits as the issuance of bonds." *** According to the *Deutsche Oekonomist*, the average yearly profits on the issuance of industrial securities from 1895 to 1900 were as follows:

1895	38.6 per cent	1898	67.7 per cent
1896	36.1 " "	1899	66.9 " "
1897	66.7 " "	1900	55.2 " "

In the ten years from 1891 to 1900 more than one *billion* marks were earned on the issuance of German industrial securities.****

While during periods of industrial boom, the profits of finance capital are disproportionately large, during periods of depression, small and unsound businesses go under, while the great banks "participate" by acquiring their shares for next to nothing, or through profitable "revivifications" and "reorganisations." In the "revivification" of undertakings which have been running at a loss, the share capital is written down, that is, profits are distributed on a smaller capital and for the future are calculated on this smaller basis. Or, if the income has fallen to zero, new capital is called in which, combined with the old and less remunerative capital, will bring in an adequate return. "Incidentally, all these reorganisations and revivifications," says Hilferding, "have a twofold significance for the banks: first, as profitable transactions; and second as opportunities for putting companies in difficulties under their control." *****

* Lysis, *Contre l'oligarchie financière en France*, 5th Ed., Paris, 1908, pp. 11, 12, 26, 39, 40, 48.

** *Die Bank*, 1913, II, p. 630.

*** Stillich, *op. cit.*, p. 143.—*Ed.*

**** *Ibid.*, p. 143.—*Ed.* *Cf.* also Werner Sombart, *Die deutsche Volkswirtschaft im 19. Jahrhundert*, Berlin, 1913, p. 197.

***** Hilferding, *op. cit.*, p. 152.

Here is an instance. The Union Mining Company of Dortmund, founded in 1872, with a capital of about 40 million marks, saw the market price of its shares rise to 170 after it paid a 12 per cent dividend in its first year. Finance capital skimmed the cream, pocketing as earnings a trifle of some 28 million marks. Upon the establishment of this company the principal sponsor was that same big German bank, the *Disconto-Gesellschaft*, which so successfully attained a capital of 300 million marks. Later, the dividends of the Union sank to zero: the shareholders had to consent to a "writing off" of capital, that is, to lose some of it in order not to lose all. By a series of "revivifications," more than 73 million marks disappeared from the books of the Union in the course of thirty years. "At the present time, the original shareholders of this company possess only 5 per cent of the face value of their shares." And the banks continued to "earn" a profit out of every "revivification." *

Speculation in real estate lots in the suburbs of rapidly growing towns is also a particularly profitable operation for finance capital. The monopoly of the banks merges here with the monopoly in ground rent and with monopoly in the means of communication, since the increase in value of lots and the possibility of selling them profitably in parcels, *etc.*, depends most of all on good means of communication with the centre of the town, and these means of communication are in the hands of large companies connected, by the system of participation and by the distribution of positions on the directorates, with the interested banks. As a result we get what the German writer, L. Eschwege—a contributor to *Die Bank*, who made a special study of the real estate business and its mortgaging operations, *etc.*—calls a "swamp": Frantic speculation in suburban lots; bankruptcy of building firms (like that of the Berlin firm of Boswau & Knauer, which got away with 100 million marks with the help of the "most sound and solid" *Deutsche Bank*—the latter acting, of course, discreetly behind the scenes through the "participation" system and losing "only" 12 million marks)—then the ruin of petty owners and workers who get nothing from the swindling building firms, underhand agreements with the "honest" Berlin police and the city administration for the purpose

* Stillich, *op. cit.*, p. 138.

of getting control of the issuance of building site records, building permits, *etc.**

"American ethics," so strongly but hypocritically condemned by European professors and well meaning bourgeois, have, in the age of finance capital, become the ethics of every large city. no matter what country it is in.

At the beginning of 1914, there was talk in Berlin of the proposed formation of a "transport trust," *i.e.*, a "unity of interests" of three Berlin transportation firms: the metropolitan electric railway, the tramway company and the omnibus company.

We have known—says *Die Bank*—that this plan exists ever since it transpired that the majority of the shares in the bus company had been acquired by the other transit companies. . . . We may readily believe those who are pursuing this aim when they say that they hope, by unified control of the transport services, to secure economies, part of which may in time benefit the public. But the question is complicated by the fact that behind this transit trust, now being formed, are the banks, which, if they desire, can place the means of communication which they have monopolised at the service of their real estate interests. To be convinced of the plausibility of such a conjecture, we need only recall that from its very foundation the Metropolitan Electric Railway Company's interests were associated with the real estate interests of the big bank which backed it, even to the extent that this joint interest was an essential prerequisite to the creation of this transit system. Its eastern line was to open up land which, when it became certain the line was to be laid, this bank sold at an enormous profit to itself and several other participants. . . .**

A monopoly, once it is formed and handles billions, inevitably penetrates *every* part of public life, regardless of the political structure or of any other "details." In the economic literature of Germany one usually comes across servile praise of the integrity of the Prussian bureaucracy, and allusions to the Panama scandals in France [14] and to political corruption in America. But the fact is that *even* the bourgeois literature devoted to German banking matters constantly has to go far beyond the field of purely banking operations, and to speak, for instance, of the "attraction of the banks" in reference to the increasing frequency with which public officials take positions in the banks. "What about the integrity of a government official who secretly aspires to a lucrative post in the Behrenstrasse *** [the street in Berlin in which the main branch

* Ludwig Eschwege, "*Der Sumpf*" in *Die Bank*, 1913, II, pp. 952 *ff*.
** "*Verkehrstrust*" in *Die Bank*, 1914, I, pp. 89, 90.
*** A. Lansburgh, "*Der Zug zur Bank*" in *Die Bank*, 1909, I, p. 79.

of the *Deutsche Bank* is situated]?" In 1909, the publisher of *Die Bank*, Alfred Lansburgh, wrote an article entitled "The Economic Significance of Byzantinism," dealing, among other things, with Wilhelm II's trip to Palestine, and with "the immediate result of this journey," the construction of the Bagdad railway,[16] that fateful "great product of the German spirit of enterprise," which "is more responsible for the 'encirclement' than all our political blunders put together." * (By encirclement is meant the policy of Edward VII, who strove to isolate Germany by surrounding her by a cordon of imperialist anti-German allies.) In 1912, another contributor to this journal, Eschwege, to whom we have already referred, wrote an article, "Plutocracy and Bureaucracy," in which he discloses the case of a German official named Völker, who had been a zealous member of the Cartels Committee and who some time later obtained a lucrative post in the very biggest cartel, the Steel Syndicate.** Similar cases, by no means fortuitous, forced this bourgeois author to admit that "the economic liberty guaranteed by the German Constitution has become, in many departments of economic life, a meaningless phrase" and that under the existing rule of the plutocracy, "even the widest political liberty can not save us from being changed into a nation of unfree people." ***

As for Russia, we will content ourselves with one example. Some years ago, all the newspapers carried the news that the Director of the Credit Department of the Treasury, Davydov, had resigned his post to take a position with a certain big bank at a salary which, according to the contract, was to amount to over a million rubles in a few years. The Credit Department is an institution whose function is to "co-ordinate the activities of all the State Credit institutions" and grant subsidies of 800 to 1,000 million rubles to banks located in the capitals.****

It is a peculiarity of capitalism in general that the ownership of capital is separate from the application of capital to production, money capital separate from industrial, or productive capital; the rentier, living solely on income from money capital, separate from the entrepreneur and from all those directly concerned in the

* Lansburgh, *Die Bank*, 1909, I, p. 307.
** *Die Bank*, 1911, II, p. 825 *ff.—Ed.*
*** *Ibid.*, 1913, II, p. 962.
**** Agahd, *op. cit.*, pp. 201, 202.

management of capital. Imperialism, or the rule of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The predominance of finance capital over all other forms of capital means the dominating position of the rentier and the financial oligarchy; it means the crystallisation of a small number of financially "powerful" states from among all the rest. The extent to which this process is going on may be judged from the statistics on emissions, *i.e.*, the issuance of all kinds of securities.

In the Bulletin of the International Statistical Institute,* A. Neymarck published very detailed, complete, and comparative figures on the issuance of securities all over the world, which afterwards were repeatedly quoted in economic literature. The following are the totals for four decades:

Total Issues in Billions of Francs by Decades

1871–1880	76.1
1881–1890	64.5
1891–1900	100.4
1901–1910	197.8

Between 1870 and 1880, the total number of issues for the whole world was high, especially owing to the loans floated in connection with the Franco-Prussian War and the company promoting which took place in Germany after the war. In general, the increase is comparatively not very rapid during the three last decades of the nineteenth century, and only the first decade of the twentieth century shows a noteworthy increase, almost a doubling for the decade. Thus the beginning of the twentieth century marks the turning point not only in regard to the growth of monopolies (cartels, syndicates, trusts), of which we have already spoken, but also in regard to the growth of finance capital.

Neymarck estimates the total sum of securities in the world in 1910 at 815 billion francs. Deducting from this sum amounts which might have been duplicated, he reduces the sum to 575-600 billions, which amount is distributed among the various countries as follows (taking 600 billion):

* A. Neymarck, *Bulletin de l'institut international de statistique,* XIX, *Livre* II, La Haye, 1912, pp. 201-225. The figures on the minor states, second table, were calculated approximately by adding 20 per cent to the 1902 figures.

TOTAL SECURITIES IN 1910
(In billions of francs)

Great Britain	142	
United States	132	479
France	110	
Germany	95	
Russia	31	
Austria-Hungary	24	
Italy	14	
Japan	12	
Holland	12.5	
Belgium	7.5	
Spain	7.5	
Switzerland	6.25	
Denmark	3.75	
Sweden, Norway, Rumania, *etc.*	2.5	
Total	600	

It will be seen at once from these figures what a privileged position is held by four of the richest capitalist countries, each of which possesses securities in amounts ranging from approximately 100 to 150 billion francs. Two of these, England and France, are the oldest capitalist countries and, as we shall see, possess the richest colonies; the other two, the United States and Germany, are in the front rank as regards rapidity of development and the degree of extension of capitalist monopolies in production. Together, these four countries own 479 billions of francs, that is, nearly 80 per cent of the world's finance capital. Thus, in one way or another, almost all the rest of the world plays the rôle of debtor or tributary to these countries—these international bankers, the four "pillars" of world finance capital.

It is particularly important to examine the part which capital exports play in creating the international network of dependence on and links with finance capital.

CHAPTER IV

THE EXPORT OF CAPITAL

UNDER the old capitalism, under which free competition prevailed, the export of *goods* was typical. Under the newest capitalism, when monopolies prevail, the export of *capital* has become typical.

Capitalism is commodity production at the highest stage of its development, when labour-power itself becomes a commodity. The growth of exchange within the country, and particularly of international exchange, is a characteristic feature of capitalism. Unevenness and irregularity in the development of individual enterprises, individual branches of industry, and individual countries, are inevitable under the capitalist system. England became a capitalist country before any other, and, in the middle of the nineteenth century, having introduced free trade, claimed to be the "workshop of the world," the great provider of manufactured goods for all other countries, which, in exchange, were to keep her supplied with raw materials. In the last quarter of the nineteenth century, *this* monopoly of England was already being undermined as other countries, protected by "protective" tariffs, grew into independent capitalist states. On the threshold of the twentieth century, we see a new type of monopoly being formed. First, monopolist combines of capitalists in all advanced capitalist countries; second, a few very rich countries, in which the accumulation of capital has reached gigantic proportions, occupy a monopolist position. An enormous "surplus of capital" accumulated in the advanced countries.

It goes without saying that if capitalism could develop agriculture, which to-day lags far behind industry everywhere, if it could raise the standard of living of the masses, which are still poverty-stricken and half-starved everywhere in spite of the amazing advance in technical knowledge, then there could be no talk of a surplus of capital. And the petty-bourgeois critics of capitalism advance this "argument" on every occasion. But then capitalism would not be capitalism; for unevenness of development

and semi-starvation of the masses are fundamental, inevitable conditions and prerequisites of this method of production. As long as capitalism remains capitalism, surplus capital will never be used for the purpose of raising the standard of living of the masses, for this would mean a decrease in profits for the capitalists; instead it will be used to increase profits by exporting the capital abroad, to backward countries. In these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap. The possibility for exporting capital is created by the entry of a number of backward countries into international capitalist intercourse, the main railway lines have either been built or are being built there, the elementary conditions for industrial development have been assured, *etc.* The necessity for exporting capital arises from the fact that in a few countries capitalism has become "over-ripe," and, owing to the backward stage of agriculture and the impoverishment of the masses, capital lacks opportunities for "profitable" investment.

Here are approximate figures showing the amount of capital invested abroad by the three principal countries: *

CAPITAL INVESTED ABROAD
(*In billions of francs*)

Year	England	France	Germany
1862	3.6	—	
1872	15	10 (1869)	
1882	22	15 (1880)	?
1893	42	20 (1890)	?
1902	62	27–37	12.5
1914	75–100	60	44

This table shows that the export of capital did not develop formidable proportions until the beginning of the twentieth century.

* J. A. Hobson, *Imperialism—A Study*, 1st Ed., London, 1902, p. 58; Riesser, *op. cit.*, pp. 395, 404; P. Arndt in *Weltwirtschaftliches Archiv*, Vol. 7, 1916, p. 35; Neymarck in *Bulletin de l'institut international de statistique*; Hilferding, *op. cit.*, p. 437; Lloyd George, Speech in the House of Commons, May 4, 1915, as reported in the *Daily Telegraph*, May 5, 1915; B. Harms, *Probleme der Weltwirtschaft*, Jena, 1912, p. 228 *ff.*; Dr. Sigmund Schilder, *Entwicklungstendenzen der Weltwirtschaft*, Berlin, 1912, I, p. 150; George Paish, "Great Britain's Capital Investments," in *Journal of the Royal Statistical Society*, Vol. LXXIV, 1910-1911, p. 167; Georges Diouritch, *L'expansion des banques allemandes à l'étranger, ses rapports avec le développement économique de L'Allemagne*, Paris, 1909, p. 84.

Before the war, the capital invested abroad by the three principal countries amounted to between 175 and 200 billion francs. At the modest rate of 5 per cent, this sum yielded from 8 to 10 billion francs a year. What a solid basis for imperialist oppression, and the exploitation of most of the nations and countries of the world, for the capitalist parasitism of a handful of the wealthiest states!

How is this capital invested abroad distributed among the various countries; *where* is it invested? Only an approximate answer can be given to this question, but it is sufficient to throw light on certain general relations and ties of modern imperialism.

DISTRIBUTION (APPROXIMATELY) OF FOREIGN CAPITAL IN VARIOUS PARTS OF THE WORLD (ABOUT 1910)
(*In billions of marks*)

	England	France	Germany	Total
Europe	4	23	18	45
America	37	4	10	51
Asia, Africa, Australia	29	8	7	44
Total	70	35	35	140

The principal spheres of investment of British capital are its colonial possessions, which are very large in America (for example, Canada) and also, of course, in Asia, *etc.* In this case enormous exports of capital are bound up most closely with huge colonies, whose importance for imperialism we shall deal with below. In regard to France, the situation is different. French capital exports are invested mainly in Europe, particularly in Russia (at least 10 billion francs). This is mostly *loan* capital, government loans and not capital invested in industrial undertakings. Unlike British colonial imperialism, French imperialism might be termed usury imperialism. In Germany, we have a third variety: its colonies are not large, and German capital invested abroad is divided fairly equally between Europe and America.

The export of capital affects the development of capitalism in those countries to which it is exported, tremendously accelerating it. While, therefore, the export of capital is able to a certain extent to arrest development in the exporting countries, this can, however, take place only at the cost of a broadening and deepening of the further development of capitalism throughout the world.

The countries which export capital are nearly always able to obtain certain "advantages," the character of which throws light

on the peculiarities of the epoch of finance capital and monopolies. The following passage, for instance, appeared in the Berlin periodical. *Die Bank*, for October, 1913:

> A comedy worthy of the pen of Aristophanes is being played just now on the international money market. Numerous foreign countries, from Spain to the Balkans, from Russia to the Argentine, Brazil and China, are openly or secretly coming into the big money markets demanding loans, some very insistently. The money markets are not at the moment in very good shape and the political outlook is still unpromising. But not a single money market dares to refuse foreign loans for fear that its neighbour may get ahead of it, grant the loan and so secure some small reciprocal service. In these international transactions there is always something in it for the creditor: either a commercial-political advantage, a coaling station, a harbour, a fat concession, or an order for cannons.*

Finance capital created the epoch of monopolies, and monopolies bring with them everywhere monopolist principles: the utilisation of "connections" for a profitable deal takes the place of competition on the open market. It is a most usual thing to stipulate that the loan granted shall in part be spent on purchases of the products of the creditor country, particularly for war material, ships, *etc.* In the course of the last two decades (1890-1910), France very often resorted to this method. The export of capital abroad thus becomes a means of encouraging the export of commodities abroad. In these circumstances, transactions, especially between big firms, assume a form "bordering on corruption," as Schilder "mildly" puts it.** Krupp in Germany, Schneider in France, and Armstrong in England are instances of firms having close connections with the big banks and the government, and which are not easy to "pass up" when arranging a loan.

France, in granting loans to Russia, "pressed" her in the commercial treaty of September 16, 1905,[16] by securing concessions to run till 1917; the same with the commercial treaty with Japan of August 19, 1911.[17] The tariff war between Austria and Serbia, which, with a seven-month interval, lasted from 1906 to 1911, was partly caused by competition between Austria and France for supplying Serbia with war material. In January, 1912, Paul Deschanel stated, in the Chamber of Deputies, that from 1908 to 1911 French firms had supplied 45 million francs' worth of war material to Serbia.[18]

* *Die Bank*, 1913, II, pp. 1024-25.

** Schilder, *op. cit.*, I, pp. 346, 349, 350.

A report from the Austro-Hungarian Consul at Sao Paulo (Brazil) states:

> The construction of Brazilian railways is being carried out chiefly by French, Belgian, British and German capital. In the financial operations connected with the construction of these railways the countries involved stipulate also for supplying the necessary railway material.*

Thus, finance capital one might literally say, casts its net over all countries of the world. Banks founded in the colonies and their branches, play an important part in these operations. German imperialists look with envy on the "old" colonial countries which in this respect are particularly "well taken care of." In 1904 Great Britain had 50 colonial banks with 2,279 branches (in 1910 there were 72 banks with 5,449 branches); France had 20 with 136 branches; Holland 16 with 68 branches; and Germany had a "mere" 13 with 70 branches.**

The American capitalists, in their turn, are jealous of the English and the Germans:

> In South America—they complained in 1915—five German banks have 40 branches and five English banks have 70 branches. . . . England and Germany have put into Argentine, Brazil and Uruguay, in the last 25 years, approximately $4,000,000,000, and as a result enjoy together 46% of the total trade of these three countries.***

The capital-exporting countries have divided up the world in the metaphorical sense of the term. But finance capital has led also to a *direct* partition of the world.

* Quoted by Schilder, *op. cit.*, I, p. 371.—*Ed.*

** Riesser, *op cit.*, pp. 374-375; Diouritch, *op. cit.*, p. 283.

*** *Annals* of the American Academy of Political and Social Sciences, Vol. LIX, May, 1915, p. 301; *ibid.*, p. 331, we read that the well-known statistician Paish in the latest copy of the financial review, *Statist*, calculated the total capital exported by England, Germany, France, Belgium and Holland at 40 billion dollars, *i.e.*, 200 billion francs.

CHAPTER V

THE DIVISION OF THE WORLD AMONG CAPITALIST COMBINES

THE monopoly combines of the capitalists—cartels, syndicates, trusts—divide among themselves first of all the domestic market of a country, and more or less completely seize control of the country's production. But under capitalism the home market is inevitably bound up with the foreign market. Capitalism long ago created a world market. In proportion as the export of capital increased, and as all the foreign and colonial relations, the "spheres of influence" of the biggest monopolist combines, expanded, things tended "naturally" towards an international agreement among them, and towards the formation of international cartels.

This is a new stage of world concentration of capital and production, incomparably higher than the preceding stages. Let us see how this super-monopoly grows.

The electrical industry is the most typical of the latest technical achievements of capitalism of the end of the nineteenth and beginning of the twentieth centuries. This industry has developed most in the two most advanced of the new capitalist countries, the United States and Germany. In Germany, the crisis of 1900 gave especially great impetus to its concentration. The banks, which by this time had become fairly well merged with industry, during this crisis hastened and accentuated to the greatest degree the ruin of relatively small firms and their absorption by the large ones.

> The banks—writes Jeidels—by withdrawing their helping hand from precisely those enterprises which need capital most, bring on first a frenzied boom and then irretrievable ruin for those companies which are not continuously in close alliance with them.*

As a result, after 1900, concentration in Germany went forward by leaps and bounds. Before 1900 there had been seven or eight "groups" in the electrical industry, each of which was formed of several companies (altogether there were twenty-eight), and was backed by from two to eleven banks. Between 1908 and 1912 all

* Jeidels, *op. cit.*, p. 232.

these groups were merged into two, or one. This process proceeded as follows:

GROUPS IN THE ELECTRICAL INDUSTRY

(Prior to 1910)

Felten & Gillaume | Lahmeyer | Union | A.E.G. | Siemens & Halske | Schuckert & Co. | Bergmann | Kummer Failed in 1900

Felten & Lahmeyer | A.E.G. | Siemens & Halske-Schuckert

(1912) A.E.G. | Siemens & Halske-Schuckert

(In close co-operation since 1908)

The famous A.E.G. (General Electric Company), which has grown in this way, controls between 175 and 200 companies (through the system of "participation"), and a total capital of about 1.5 *billion* marks. It has 34 direct representatives abroad, of which twelve are joint stock companies, in more than ten countries. As early as 1904, capital invested by the German electrical industry abroad, was estimated at 233 million marks, of which 62 millions were invested in Russia. Needless to say, the A.E.G. is a huge "combined" undertaking. Its manufacturing companies alone number sixteen; and they put out the most varied products, from cables and insulators to automobiles and airplanes.

But concentration in Europe was an integral part of the process of concentration in America, which developed in the following way:

GENERAL ELECTRIC CO.

United States: Thomson-Houston Co. (Established a firm for Europe) | Edison Co. French Edison Co. (Transferred its patents to a German firm)

Germany: Union Electric Co. | A.E.G.

A.E.G.

Thus *two* "great powers" in the electrical industry were formed. "There are no other great powers in the electrical industry in the world *completely* independent of them," wrote Heinig in his article, "The Path of the Electric Trust." An idea, although far from complete, of the volume of business and the size of the enterprises of the two trusts can be obtained from the following figures:

	Merchandise Turnover (*in mills. of marks*)		Number of Employés	Net profits (*in mills. of marks*)
America: General Electric Co.......	1907:	252	28,000	35.4
	1910:	298	32,000	45.6
Germany: A.E.G.	1907:	216	30,700	14.5
	1911:	362	60,800	21.7

In 1907 the German and American trusts concluded an agreement for partitioning the world. Competition ceased. The General Electric "gets" the United States and Canada; the A.E.G. "gets" Germany, Austria, Russia, Holland, Denmark, Switzerland, Turkey and the Balkans. Special agreements—naturally, secret—were concluded regarding the penetration of "subsidiary companies" into new branches of industry and "new" countries not yet formally allotted. The two trusts are to exchange inventions and experiments.*

It is easy to understand how difficult competition against this virtually united trust has become, which is world-wide, controls a capital of several billions, and has its "branches," agencies, representatives, connections, *etc.*, in every corner of the globe. But the partition of the world between two powerful trusts of course does not preclude a *re-partition* if the balance of forces changes as a result of uneven development, war, bankruptcies, *etc.*

The oil industry provides an instructive example of an attempt at such a re-partition, a struggle for re-partition.

> The world oil market—wrote Jeidels in 1905—is still essentially divided up between two great financial groups: Rockefeller's Standard Oil Co. in America and Rothschild and Nobel, the owners of the Russian oilfields in Baku. The two groups are in close alliance. But for several years, five enemies have been threatening their monopoly position. . . .**

1. The exhaustion of the American oil wells; *** 2. the competition of the firm of Mantashev in Baku; 3. the Austrian oil wells; 4. the Rumanian oil wells; 5. the transoceanic oil wells, particularly in the Dutch colonies (the very rich firms, Samuel and Shell are also allied with British capital). The three last groups of enterprises are connected with the great German banks, principally the *Deutsche Bank.* These banks independently and systematically developed the oil industry, for instance in Rumania, in order to have

* Kurt Heinig, "*Der Weg des Elektrotrusts*" in *Die Neue Zeit,* 30th Year, II, p. 474 *ff.*; *cf.* also Riesser and Diouritch. ** Jeidels, *op. cit.*, pp. 192-193.
*** In Pennsylvania, chief oil region in U. S. at time of Jeidels' study.—*Ed*

a base of "their own." In 1907, 185 million francs of foreign capital were invested in the Rumanian oil industry, of which 74 millions came from Germany.*

A struggle began which in economic literature is fittingly called the struggle for the "division of the world." On one side, Rockefeller's Oil Trust, wishing to get hold of *everything*, formed a subsidiary company in Holland *itself*, and bought up oil wells in the Dutch East Indies, in order to strike at its principal enemy, the Anglo-Dutch Shell trust. On the other side, the *Deutsche Bank* and other German banks aimed at "securing" Rumania "for themselves" and uniting it with Russia against Rockefeller. The latter had far more capital and an excellent system of oil transportation and distribution. The struggle had to end, and did in 1907, with the utter defeat of the *Deutsche Bank*, which was forced to choose between two alternatives: either to liquidate its "oil interests" and lose millions, or to submit. It chose to submit, and concluded an agreement, very disadvantageous to it, with the Oil Trust. The *Deutsche Bank* agreed "not to undertake anything which might injure American interests." Provision was made, however, for the annulment of the agreement in the event of Germany's establishing a state oil monopoly.

Then the "comedy of oil" began. One of the German kings of finance, von Gwinner, a director of the *Deutsche Bank*, began, through his private secretary, Stauss, a campaign *for* an oil monopoly. The whole gigantic machine of the biggest Berlin bank and all its wide "connections" were set in motion. The press bubbled over with "patriotic" indignation against the "yoke" of the American trust, and, on March 15, 1911, the Reichstag, by an almost unanimous vote, adopted a resolution asking the government to prepare a bill for the establishment of an oil monopoly. The government seized upon this "popular" idea and the game of the *Deutsche Bank*, which hoped to deceive its American partner and improve its own business by a state monopoly, appeared to have been won. Already the German oil magnates saw visions of wonderful profits, which would not be less than those of the great Russian sugar refiners. . . . But first the great German banks quarrelled among themselves over the division of the spoils, and the *Disconto-Gesellschaft* exposed the selfish interests of the *Deutsche*

* Diouritch, *op. cit.*, p. 275

Bank; second, the government took fright at the idea of a struggle with Rockefeller, for the Rumanian supply is not very large and it was very doubtful whether Germany could obtain oil without Rockefeller. Third, in 1913 a billion marks were required for Germany's war preparations. The project of the oil monopoly was laid aside. Rockefeller's Oil Trust for the time being came out of the struggle victorious.

The Berlin journal, *Die Bank,* said in this connection that Germany could fight the oil trust only by establishing an electricity monopoly and by converting water power into cheap electricity.

> But—it added—the power monopoly will come when the *producers* need it, that is, when the next great crash in the electrical industry is at the door, and when the powerful, expensive power stations which are now being put up everywhere by private electrical concerns, which obtain partial monopolies from the state, towns, and other bodies, can no longer work at a profit. Water power will then have to be used. But this cannot be converted into cheap electricity at state expense; it will have to be handed over to "a private monopoly controlled by the state," because the enormous indemnities and awards which would have to be paid to private industry for its expensive steam power plants would be too great a burden on the overhead of a power monopoly operated by the Reich and using water power. So it was with the potash monopoly; so it is with the oil monopoly; so it will be with the power monopoly. It is time our state-Socialists, who allow themselves to be blinded by beautiful principles, understood once and for all that in Germany the monopolies have never pursued the aim, nor have they had the result, of benefiting the consumer, nor of handing over to the state part of the profits; they have always served merely to revive, with the help of the state, bankrupt private industries.*

Such are the valuable admissions which the German bourgeois economists are forced to make. We see plainly here how private monopolies and state monopolies are bound up together in the age of finance capital; how both are really only individual links in the imperialist struggle between the biggest monopolists for the division of the world.

In mercantile shipping, the tremendous growth of concentration also led to a division of the world. In Germany, two powerful companies have become conspicuous, the Hamburg-American and the North German Lloyd, each with a capital of 200 million marks in stocks and bonds, and possessing 185 to 189 million marks' worth of shipping tonnage. On the other side, in America, on January 1, 1903, the so-called Morgan trust—the International

* *Die Bank,* 1912, II, p. 1036; *cf. ibid.,* p. 629.

Mercantile Marine—was formed, which united nine British and American steamship companies, and which controlled a capital of $120,000,000. As early as 1903, the German giants and the Anglo-American trust concluded an agreement and partitioned the world in accordance with the division of profits. The German companies undertook not to compete in traffic between England and America. Careful provision was made as to which ports were to be allotted to each; a joint committee of control was set up, *etc.* This contract was concluded for twenty years, with a prudent provision for its annulment in the event of war.*

Extremely instructive also is the story of the formation of the International Rail Cartel. The first attempt of the British, Belgian and German rail manufacturers to create such a cartel was made in 1884, at a time of very severe industrial depression. They agreed not to compete with one another in the domestic markets of the countries party to the agreement, and they divided the foreign markets according to the following quotas: Great Britain, 66 per cent; Germany, 27 per cent; Belgium, 7 per cent. India was reserved entirely for Great Britain. Joint war was waged against a British firm which remained outside the agreement. The cost of this war was met by a proportionate levy on all sales. But in 1886 the cartel collapsed when two British firms withdrew from it. It is a characteristic fact that no agreement could be reached in the periods of industrial prosperity which followed.

At the beginning of 1904, the German steel syndicate was formed. In November, 1904, the International Rail Cartel was renewed, with the following quotas: England, 53.5 per cent; Germany, 28.83 per cent; Belgium, 17.67 per cent. France came in later with 4.8 per cent, 5.8 per cent, and 6.4 per cent in the first, second and third years respectively, in excess of the 100 per cent limit, *i.e.*, figuring on a total of 104.8 per cent, *etc.* In 1905, the "Steel Trust," the United States Steel Corporation, entered the cartel; then Austria; then Spain.**

> For the moment—wrote Vogelstein in 1910—the division of the world is completed, and the big consumers, primarily the state railways—since the world is divided up without their interests having been considered—must live like the poet in Zeus' heaven.***

* Riesser, *op. cit.*, pp. 114, 116.

** Vogelstein, *Organisationsformen*, pp. 99-100.—*Ed.* *** *Ibid.*, p. 100.

We will mention also the International Zinc Syndicate, established in 1909, which carefully distributed output among three groups of German, Belgian, French, Spanish and British factories. Then there is the International Powder Trust, of which Liefmann says that it is "quite a modern, close alliance of all [the German] explosives manufacturers, who have divided up the whole world, so to speak, with the French and American explosives manufacturers, who are organised in a similar manner." *

Liefmann in 1897 counted altogether about forty international cartels in which Germany had a share, while by 1910 there were about a hundred.

Certain bourgeois writers (with whom Kautsky, who has completely betrayed the Marxist position he held, for example, in 1909, is now associated) expressed the opinion that international cartels are one of the most striking expressions of the internationalisation of capital and therefore offer a possible hope of peace among nations under capitalism. In theory this opinion is absolutely absurd, while in practice it is a sophism and a dishonest defence of the worst opportunism. International cartels show to what point capitalist monopolies have now grown up and the *wherefore* of the struggle between the capitalist groups. This last circumstance is the most important; it alone explains to us the historical-economic significance of events; for the *forms* of the struggle may and do change in accordance with various, relatively individual, and transitory causes, but the *essence* of the struggle, its class *content*, simply *cannot* change while classes exist. It is easy to understand, for example, that it is in the interests of the German bourgeoisie, whose theoretical arguments have now been adopted in the essential points by Kautsky (we shall deal with this below), to obscure the *content* of the contemporary economic struggle (the division of the world) and to emphasise one or another *form* of the struggle. Kautsky makes the same mistake. Of course, we have in mind not only the German bourgeoisie, but the bourgeoisie throughout the whole world. The capitalists partition the world, not out of personal malice, but because the degree of concentration which has been reached forces them to adopt this method in order to get profits. And they partition it "in proportion to capital," "in proportion to strength," for there cannot be

* Liefmann, *Kartelle und Trusts*, p. 161.

any other method of division under the system of commodity production and capitalism. But strength varies with the degree of economic and political development. In order to understand what takes place, it is necessary to know what questions are settled by changes in strength. The question as to whether these changes are "purely" economic or *non*-economic (*e.g.*, military), is a secondary one which cannot in the least affect the fundamental view on the latest epoch of capitalism. To substitute for the question of the *content* of the struggle and agreements between capitalist combines, the question of the *form* of the struggle and the agreements (to-day peaceful, to-morrow not peaceful, the next day again not peaceful), is to descend to sophistry.

The epoch of the newest capitalism shows us that certain relations are being established between capitalist combines, *based* on the economic division of the world; while parallel with this and in connection with it, certain relations are being established between political alliances, between states, on the basis of the territorial division of the world, of the struggle for colonies, of the "struggle for economic territory."

CHAPTER VI

THE DIVISION OF THE WORLD AMONG THE GREAT POWERS

In his book, *The Territorial Development of European Colonies*, A. Supan,* the geographer, gives the following brief summary of this development at the end of the nineteenth century:

PERCENTAGE OF AREA BELONGING TO THE EUROPEAN COLONIAL POWERS (INCLUDING THE UNITED STATES)

	1876	1900	Increase
In Africa	10.8	90.4	+ 79.6
" Polynesia	56.8	98.9	+ 42.1
" Asia	51.5	56.6	+ 5.1
" Australia	100.0	100.0	—
" America	27.5	27.2	— 0.3

"The characteristic feature of this period," he concludes, "is, therefore, the division of Africa and Polynesia." As there are no unoccupied territories—that is, territories not belonging to any stat —in Asia and America, Supan's conclusion must be carried further and we must say that the characteristic feature of this period is the final partition of the earth, final not in the sense that a *re-partition* would be impossible—on the contrary, re-partitions are possible and inevitable—but in the sense that the colonial policy of the capitalist countries *has completed* the seizure of unoccupied land on our planet. For the first time, the world is now divided up, so that in the future *only re-divisions* are possible; *i.e.*, a transfer from one "owner" to another, and not of unowned territory to an "owner."

We are therefore passing through a peculiar period of world colonial policy, which is very closely associated with the "latest stage in the development of capitalism," with finance capital. For this reason it is necessary to deal more in detail with the facts, in order to ascertain exactly what distinguishes this period from those preceding it, as well as the present situation. In the first place, two questions of fact arise here. Is an intensification of colonial pol-

* A. Supan, *Die territoriale Entwicklung der europäischen Kolonien*, 1906, p. 254.

icy, an intensification of the struggle for colonies, to be observed precisely in this period of finance capital? And just how, in this respect, is the world divided up at the present time?

The American writer, Morris, in his book *The History of Colonisation* has made an attempt to compile data on the extent of the colonial possessions of Britain, France and Germany during different periods of the nineteenth century. The following is a brief summary of the results he has obtained: *

EXTENT OF COLONIAL POSSESSIONS

	England		France		Germany	
	Area (in millions of sq. miles)	Population (in millions)	Area (in millions of sq. miles)	Population (in millions)	Area (in millions of sq. miles)	Population (in millions)
1815–1830	?	126.4	0.02	0.5	—	—
1860	2.5	145.1	0.2	3.4	—	—
1880	7.7	267.9	0.7	7.5	—	—
1899	11.6	345.2	3.7	56.4	1.0	14.7

For Britain, the period of vast increase in colonial conquests falls between 1860 and 1880; and the last twenty years of the nineteenth century are also of great importance. For France and Germany it falls precisely during those last twenty years. We saw above that the apex of pre-monopoly capitalist development, of capitalism in which free competition was predominant, was reached in the period between 1860 and 1880. We now see that it is *precisely after that period* that the tremendous "boom" in colonial annexations begins, and that the struggle for a territorial division of the world becomes extraordinarily keen. It is beyond doubt, therefore, that the transition of capitalism to the stage of monopoly capitalism, to finance capital, is *connected* with the intensification of the struggle for the partition of the world.

Hobson, in his work on imperialism, marks the years 1884-1900 as being the period of intensified "expansion" of the chief European states. According to his estimate, England during these years acquired 3.7 million square miles of territory with a population of 57 million; France acquired 3.6 million square miles with a population of 36.5 million; Germany one million square miles with 16.7 million inhabitants; Belgium 900,000 square miles with 30 million inhabitants; Portugal 800,000 square miles with 9 mil-

* Henry C. Morris, *The History of Colonisation*, New York, 1900, I. p. 419 II, pp. 84-87, 304.

lion inhabitants. The quest for colonies by all the capitalist states at the end of the nineteenth century, and particularly since the 1880's, is a well-known fact in the history of diplomacy and of foreign policy.

Between 1840 and 1860, when free competition in England was at its height, the leading bourgeois politicians were *opposed* to the colonial policy, and were of the opinion that the liberation of the colonies and their complete separation from England was an inevitable and desirable thing. M. Beer in an article on modern British imperialism,* published in 1898, shows that in 1852, Disraeli, a statesman generally inclined towards imperialism, declared: "The colonies are millstones round our necks." But by the end of the nineteenth century, the heroes of the hour were Cecil Rhodes and Joseph Chamberlain, the open advocates of imperialism and the most cynical exponents of imperialist policy!

It is not without interest to observe that already at that time the leading British bourgeois politicians fully appreciated the connection between what might be called the purely economic and the social-political roots of modern imperialism. Chamberlain preached imperialism as the "true, wise and economical policy," and he pointed particularly to the German, American and Belgian competition which Great Britain to-day encounters on the world market. Salvation lies in monopolies, said the capitalists, as they formed cartels, syndicates and trusts. Salvation lies in monopolies, echoed the political leaders of the bourgeoisie, hastening to seize the parts of the world not yet partitioned.

Cecil Rhodes, according to the story told by his intimate friend, the journalist Stead, spoke to him in 1895 about his imperialist ideas as follows:

> I was in the East End of London (workers' section) yesterday and attended a meeting of unemployed. I listened to the wild speeches, which were just a cry for "bread," "bread," "bread" and on my way home I pondered over the scene and I became more than ever convinced of the importance of imperialism. . . . My cherished idea is a solution for the social problem, *i.e.*, in order to save the 40 million inhabitants of the United Kingdom from a bloody civil war, we colonial statesmen must acquire new lands for settling the surplus population, to provide new markets for the goods produced in the factories and mines. The Empire, as I have always said, is a question of the stomach. If you do not want civil war, you must become imperialists.**

* *Die Neue Zeit*, 16th Year, I, p. 302.
** *Ibid.*, p. 304.

Thus, in 1895, spoke Cecil Rhodes, millionaire, financial king, the man who was mainly responsible for the Boer War. But his defence of imperialism is only crude and cynical, and in substance does not differ from the "theory" of Messrs. Maslov, Suedekum, Potresov, David, of the founder of Russian Marxism * and others. Cecil Rhodes was a somewhat more honest social-chauvinist. . . .

To tabulate as exactly as possible the territorial division of the world, and the changes which have occurred during the last decades, we will take the data furnished by Supan in the work already quoted on the colonial possessions of all the world powers. Supan takes the years 1876 and 1900; we shall take the year 1876—a date happily chosen, for it is precisely at that time that the pre-monopolist stage of development of western European capitalism can be said to have been completed in the main, and we shall take the year 1914, substituting for Supan's figures the more recent statistics of Hübner's "Geographical and Statistical Tables."

Supan takes only colonies; we think it useful, in order to present a full picture of the division of the world, to add brief figures on non-colonial and semi-colonial countries, such as Persia, China and Turkey. The first of these is already almost completely a colony; the second and third are becoming colonies. We get the following summary:

COLONIAL POSSESSIONS OF THE GREAT POWERS

(In millions of square kilometres and millions of inhabitants)

	Colonies				*Home Countries*		*Totals*	
	1876		1914		1914		1914	
	Area	Pop.	Area	Pop.	Area	Pop.	Area	Pop.
England ...	22.5	251.9	33.5	393.5	0.3	46.5	33.8	440.0
Russia	17.0	15.9	17.0	33.2	5.4	136.2	22.4	169.4
France	0.9	6.0	10.6	55.5	0.5	39.6	11.1	95.1
Germany ..	....	....	2.9	12.3	0.5	64.9	3.4	77.2
United States	....	....	0.3	9.7	9.4	97.0	9.7	106.7
Japan	....	....	0.3	19.2	0.4	53.0	0.7	72.2
Total of the 6 great powers ..	40.4	273.8	64.6	523.4	16.5	437.2	81.1	960.6
Colonies of the other Powers (Belgium, Holland, *etc.*)							9.9	45.3
Semi-colonial countries (Persia, China, Turkey)							14.5	361.0
Remaining countries							28.0	289.2
The whole world							133.5	1,656.1

* The reference is to Plekhanov.—*Ed.*

We see clearly from these figures how "complete" was the partition of the world at the turn of the century. After 1876 colonial possessions were extended to an enormous degree, growing from 40 to 65 million square kilometres, or to more than one and a half times, for the six biggest powers; ar increase of 25 million square kilometres, an area one and a half times as great as that of the "mother" countries (16.5 million).

In 1876 three powers had no colonies whatever, and a fourth, France, had hardly any. By 1914, these four powers had acquired 14.1 million square kilometres of colonies, or an area about one and a half times greater than that of Europe, with a population of nearly 100 million. The unevenness in the rate of expansion of colonial possessions is very marked. Comparing, for instance, France, Germany and Japan, which do not differ very much in area and population, it will be seen that the first of these countries acquired almost three times as much colonial territory as the other two combined. But in regard to finance capital, also, France was, at the beginning of the period we are considering, perhaps several times richer than Germany and Japan together. Besides, and on the basis of, purely economic conditions, geographical conditions and other factors also affect the extent of colonial possessions. However strong the process of levelling the world, of levelling the economic and living conditions in different countries may have been in the last decades as a result of the pressure of heavy industry, exchange and finance capital, great differences still remain even between the six great powers. We see on the one hand young capitalist countries (America, Germany, Japan) progressing with unusual rapidity, while on the other hand countries with an old capitalist development (France and Britain) have made much slower headway of late than the others; and there is Russia, the most backward country economically, in which modern capitalist imperialism is enmeshed, so to speak, in a particularly thick web of pre-capitalist relations.

Alongside the colonial possessions of the great powers, we have placed the small colonies of the small states, which are, so to speak, the nearest objects of a possible and probable new colonial "redistribution." For the most part these small states retain their colonies only because of conflicting interests, friction, *etc.*, among the great powers, which prevent them from coming to an agree-

ment in regard to the division of the spoils. The "semi-colonial" states provide an example of those transitional forms which are to be found in all domains of nature and society. Finance capital is such a great, it may be said, such a decisive force in all economic and international relations, that it is capable of subordinating to itself, and actually does subordinate to itself, even states enjoying complete political independence. We shall shortly see examples of this. But, naturally, finance capital finds it most "convenient," and is able to extract the greatest profit from *such* a subordination as involves the loss of the political independence of the subjected countries and peoples. In this connection the semi-colonial countries are typical of the "middle stage." It stands to reason that the struggle for these semi-dependent countries should have become particularly bitter during the period of finance capital, when the rest of the world had already been divided up.

Colonial politics and imperialism existed even before the latest stage of capitalism, and even before capitalism. Rome, founded on slavery, carried out a colonial policy and was imperialistic.[19] But "general" arguments about imperialism, which ignore, or put into the background the fundamental difference of social-economic formations, inevitably degenerate into empty banalities, or phrases such as the comparison of "greater Rome and greater Britain." * Even the colonial policy of capitalism in its *previous* stages is essentially different from the colonial policy of finance capital.

The basic feature of the newest capitalism is the domination of monopolist combines of the biggest entrepreneurs. These monopolies are most durable when *all* the sources of raw materials are controlled by the one group. And we have seen with what zeal the international capitalist combines exert every effort to make it impossible for their rivals to compete with them; for example, by buying up mineral lands, oil fields, *etc.* Colonial possession alone gives a complete guarantee of success to the monopolies against all the risks of the struggle against competitors, including the possibility of the adversary's desire to defend himself by means of a law establishing a state monopoly. The more capitalism develops, the more the need for raw materials is felt; the more bitter competition becomes and the more feverish the hunt for sources of

* C. P. Lucas, *Greater Rome and Greater Britain*, Oxford, 1912, or Earl of Cromer, *Ancient and Modern Imperialism*, London, 1910.

raw materials throughout the world, the more desperate the struggle for the acquisition of colonies becomes.

Schilder writes:

It may even be asserted, although it may sound paradoxical to many, that in the more or less near future the growth of the urban industrial population is more likely to be hindered by a shortage of raw materials of industry than by any shortage of food.

For example, there is a growing shortage of timber, the price of which is steadily rising, as well as of leather, and the raw materials for the textile industry.

Associations of manufacturers are trying to establish equilibrium between industry and agriculture on a world scale; note, for instance, the International Federation of Cotton Spinners' Associations, founded in 1904, in the most important industrial countries, and the European Federation of Flax Spinners' Associations, founded on the same model in 1910.*

The bourgeois reformists, and among them particularly the present-day Kautskyists, of course, try to belittle the importance of facts of this kind by arguing that it "would be possible" to obtain raw materials in the open market without a "costly and dangerous" colonial policy; and that it would be "possible" greatly to increase the supply of raw materials "simply" by improving agricultural conditions in general. But such arguments degenerate into an apology for imperalism, into beautifying it, for they are based on disregard of the principal characteristic of the newest capitalism: monopoly. Free markets are becoming more and more a thing of the past; monopolist syndicates and trusts are cutting into them more and more every day, and "simply" improving agricultural conditions resolves itself into improving the conditions of the masses, raising wages and reducing profits. Where, except in the imagination of sentimental reformists, are there any trusts capable of interesting themselves in the conditions of the masses instead of in the conquest of colonies?

Not only are the already known sources of raw materials important to finance capital, but also possible sources, for present-day technical development is extremely rapid, and land which is useless today may be made useful tomorrow if new methods are applied (for this purpose a big bank can equip a special expedition of engineers, agricultural experts, *etc.*), and large amounts of capital

* Schilder, *op. cit.*, pp. 38, 42.

are invested. The same applies to prospecting for mineral wealth, to new methods of preparing and utilising raw materials, *etc., etc.* Hence the inevitable striving of finance capital to expand its economic territory and even its territory in general. In the same way that the trusts capitalise their property by estimating it at two or three times its value, taking into account its "possible" future (and not present) returns, and figuring on the further results of monopoly, so finance capital strives to seize as much land as possible, of whatever kind, wherever and however it can, counting on possible sources, and fearing to be left behind in the insensate struggle for the last available morsels of unapportioned territory, or for a re-partition of those which have already been parcelled out.

The British capitalists are exerting every effort to develop cotton growing in *their own* colony, Egypt. (In 1904, out of 2.3 million hectares of land under cultivation in Egypt, 0.6 million, or more than one-fourth, were devoted to cotton growing.) The Russians are doing the same in *their* colony, Turkestan. And in each case they are doing so because in this way they can more easily defeat their foreign competitors, monopolise the sources of raw materials, and form a more economical and profitable textile trust with "combined" production and with concentration of *all* stages of production and preparation of cotton under a single ownership.

The need to export capital similarly serves to stimulate the conquest of colonies, for it is easier in the colonial market (and sometimes it is the only possible way), to eliminate a competitor by monopolist methods, to make sure of orders, to strengthen the necessary "connections," *etc.*

The non-economic superstructure which grows up on the basis of finance capital, its politics and its ideology, accentuate the striving for colonial conquests. "Finance capital does not want liberty, it wants domination," as Hilferding very truly says. And a French bourgeois writer, developing and supplementing, as it were, the ideas of Cecil Rhodes which we quoted above, writes that social causes should be added to the economic causes of modern colonial policy.

> Owing to the growing complexity and difficulties of life which weigh not only on the masses of the workers, but also on the middle classes, impatience, irritation and hatred are accumulating in all the countries of the old civilisation, and are becoming a menace to public order; employment must be found for the

energy which is overflowing its usual class channels; it must be given an outlet abroad in order to avert an explosion at home.*

Since we are speaking of colonial policy in the period of capitalist imperialism, it must be observed that finance capital and its corresponding international policies, which become resolved into the struggle of the great powers for the economic and political division of the world, give rise to a number of *transitional* forms of national dependence. The division into two principal groups of countries—possessors of colonies, and colonies—is not the only typical feature of this period; there is also a variety of forms of dependent countries which formally are politically independent, but which are in fact enmeshed in the net of financial, and diplomatic dependence. We have already referred to one of the forms—the semi-colony. An example of another form is provided by Argentina.

"South America, especially Argentina," writes Schulze-Gaevernitz in his work on British imperialism, "is so dependent financially on London that it may almost be described as a British commercial colony." ** Schilder, on the basis of a report of the Austro-Hungarian consul at Buenos Aires, estimates the amount of British capital invested in Argentina in 1909 at 8.75 billion francs. It is not difficult to imagine with what firm bonds British finance capital (and its faithful "friend," diplomacy) is bound with the Argentine bourgeoisie and with the leading circles of its whole economic and political life.

An example of a somewhat different form of financial and diplomatic dependence with political independence is presented by Portugal. Portugal is an independent sovereign state, but in actual fact, for more than two hundred years, ever since the War of the Spanish Succession (1700-1714), it has been a British protectorate. Great Britain has protected Portugal and her colonies in order to fortify her own positions in the fight against her rivals, Spain and France. In return, she has received commercial advantages, better terms for exporting goods, and, above all, for exporting capital, into Portugal and the Portuguese colonies, and also the right to

* Wahl, *La France aux colonies,* quoted by Henri Russier, *Le partage de l'Océanie,* Paris, 1905, p. 167.

** Schulze-Gaevernitz, *Britischer Imperialismus und englischer Freihandel zu Beginn des 20. Jahrhunderts,* Leipzig, 1906, p. 318. Sartorius von Waltershausen says the same in his book, *Das volkswirtschaftliche System der Kapitalanlage im Auslande,* Berlin, 1907, p. 46.

use the ports and islands of Portugal, her telegraph cables, *etc.** Between large and small states, relations of this kind have always existed, but during the period of capitalist imperialism they become a general system; they form part of the process of "dividing up the world"; they become links in the operations of world finance capital.

In order to complete our examination of the question of the division of the world, we must note the following. This question was raised quite openly and definitely not only in American literature after the Spanish-American War, and in English literature after the Boer War, at the very end of the nineteenth century and the beginning of the twentieth; not only has German literature, which always "jealously" follows "British imperialism," systematically appreciated this fact. The question has also been raised in French bourgeois literature in terms as definite and broad as the bourgeois point of view allows. We shall refer to Driault, the historian, who, in his book, *Political and Social Problems,* in the chapter on "The Great Powers and the Division of the World," wrote the following:

> During recent years, all the free territory on the earth, with the exception of China, has been occupied by the powers of Europe and North America. Several conflicts and shifts in influence have already occurred over this matter, which foreshadow much more terrible outbreaks in the near future. For it is necessary to make haste. The nations which have not taken care of themselves run the risk of never receiving their share, and of never participating in the tremendous exploitation of the earth which will be one of the most essential features of the next century [*i.e.,* the twentieth]. That is why all Europe and America have lately been afflicted with the fever of colonial expansion, of "imperialism," that most characteristic and most noteworthy feature of the end of the nineteenth century.

And the author adds:

> In this partition of the world, in this furious pursuit of the treasures, and the big markets of the earth, the relative strength of the empires founded in this [the nineteenth] century are totally out of proportion with the place occupied in Europe by the nations who founded them. The dominant powers in Europe, those which decide its destinies, are *not* equally strong throughout the whole world. And, as colonial power, the hope of controlling untold wealth, will obviously influence the relative strength of the European powers, the colonial question—"imperialism" if you will—which has already transformed the political conditions of Europe itself, will modify them more and more.**

* Schilder, *op. cit.,* I, pp. 160, 161.

** I. B. Driault, *Problèmes politiques et sociaux,* Paris, 1907, p. 299.

CHAPTER VII

IMPERIALISM AS A SPECIAL STAGE OF CAPITALISM

We must now try to draw certain conclusions, to sum up what has been said above about imperialism. Imperialism emerged as a development and direct continuation of the fundamental properties of capitalism in general. But capitalism became capitalist imperialism only at a definite, very high stage of its development, when certain of its fundamental properties had begun to change into their opposites, when the features of a period of transition from capitalism to a higher socio-economic system had begun to take shape and reveal themselves all along the line. Economically fundamental in this process is the replacement of capitalist free competition by capitalist monopolies. Free competition is the fundamental property of capitalism and of commodity production generally. Monopoly is the direct opposite of free competition; but we have seen the latter being transformed into monopoly before our very eyes, creating large-scale production and squeezing out small-scale production, replacing large-scale by larger-scale production, finally leading to such a concentration of production and capital that monopoly has been and is the result: cartels, syndicates and trusts, and, merging with them, the capital of a dozen or so banks manipulating thousands of millions. And at the same time the monopolies, which have sprung from free competition, do not eliminate it, but exist alongside of it and over it, thereby giving rise to a number of very acute and bitter antagonisms, points of friction, and conflicts. Monopoly is the transition from capitalism to a higher order.

If it were necessary to give the briefest possible definition of imperialism, we should have to say that imperialism is the monopoly stage of capitalism. Such a definition would include the essential point, for, on the one hand, finance capital is bank capital of the few biggest monopolist banks, merged with the capital of the monopolist combines of industrialists; on the other hand, the division of the world is the transition from a colonial policy which has extended without hindrance to territories unoccupied by any capitalist power,

to a colonial policy of monopolistic possession of the territories of the world, which has been completely divided up.

But too brief definitions, although convenient, since they sum up the main points, are nevertheless inadequate, because very fundamental features of the phenomenon to be defined must still be deduced. And so, without forgetting the conditional and relative value of all definitions, which can never include all the connections of a fully developed phenomenon, we must give a definition of imperialism that will include the following five essential features:

1. The concentration of production and capital, developed to such a high stage that it has created monopolies which play a decisive rôle in economic life.

2. The merging of bank capital with industrial capital and the creation, on the basis of this "finance capital," of a financial oligarchy.

3. The export of capital, as distinguished from the export of commodities, becomes of particularly great importance.

4. International monopoly combines of capitalists are formed which divide up the world.

5. The territorial division of the world by the greatest capitalist powers is completed.

Imperialism is capitalism in that stage of development in which the domination of monopolies and finance capital has taken shape; in which the export of capital has acquired pronounced importance; in which the division of the world by the international trusts has begun, and in which the partition of all the territory of the earth by the greatest capitalist countries has been completed.

We shall see later how imperialism may and must be defined differently when consideration is given not only to the fundamental, purely economic factors—to which the above definition is limited—but also to the historical place of this stage of capitalism in relation to capitalism in general, or to the relations between imperialism and the two basic tendencies in the labour movement. The point to be noted just now is that imperialism, as understood in this sense, undoubtedly represents a special stage in the development of capitalism. In order to enable the reader to obtain as well-grounded an impression of imperialism as possible we have expressly tried to quote as much as possible from *bourgeois* economists, who are obliged to admit the particularly indisputable and established fact

regarding the newest capitalist economy. With the same object we have produced detailed statistics which reveal to what extent bank capital, *etc.*, has grown, showing just how the transition from quantity to quality, from developed capitalism to imperialism, has expressed itself. Needless to say, all the boundaries in nature and in society are conditional and changing, and it would be absurd to dispute, for instance, over the year or decade in which imperialism became "definitely" established.

In defining imperialism, however, we have to enter into controversy, primarily, with Karl Kautsky, the principal Marxist theoretician of the epoch of the so-called Second International—that is, of the twenty-five years between 1889 and 1914.

Kautsky, in 1915 and even in November, 1914, decisively attacked the fundamental ideas expressed in our definition of imperialism. He declared that imperialism must not be regarded as a "phase" or as an economic stage, but as a policy; a definite policy "preferred" by finance capital; that imperialism cannot be "identified" with "contemporary capitalism"; that if by imperialism is meant "all the phenomena of contemporary capitalism"—cartels, protectionism, the rule of the financiers, and colonial policy—then the question whether imperialism is necessary to capitalism becomes reduced to the "rankest tautology," for in that case, imperialism is "naturally a vital necessity for capitalism," and so on. The most accurate way to present Kautsky's ideas is to quote his own definition of imperialism, which is directly opposed to the substance of the ideas which we set forth (for the objections of the German Marxists, who for many years have been propounding such ideas, have been known to Kautsky as the objections of a definite tendency in Marxism for a long time).

Kautsky's definition is as follows:

> Imperialism is a product of highly developed industrial capitalism. It consists in the striving of every industrial capitalist nation to bring under its control and to annex larger and larger *agrarian* [Kautsky's italics] regions, irrespective of what nations inhabit them.*

This definition is utterly worthless because it is one-sided, *i.e.*, it arbitrarily brings out the national question alone (admittedly, it is extremely important in itself as well as in its relation to imperial-

* *Die Neue Zeit*, 32nd Year, II, 1914, p. 909; *cf.* also 33rd Year, II, 1915, p. 107 *ff*.

F*

ism); arbitrarily and *incorrectly* it connects this question *only* with the industrial capital in the countries which annex other nations; in an equally arbitrary and incorrect manner it emphasises the annexation of agrarian regions.

Imperialism is a striving for annexations—this is what the *political* part of Kautsky's definition amounts to. It is correct, but very incomplete, for politically, imperialism is generally a striving towards violence and reaction. We are interested here, however, in the *economic* aspect of the question, which Kautsky *himself* introduced into *his own* definition. The errors in the definition of Kautsky are clearly evident. The characteristic feature of imperialism is *not* industrial capital, *but* finance capital. It is not an accident that in France, it was precisely the extraordinarily rapid development of *finance* capital and the weakening of industrial capital, that, from 1880 onwards, gave rise to a sharpening of annexationist (colonial) policy. The characteristic feature of imperialism is precisely the fact that it strives to annex *not only* agrarian but even the most industrialised regions (the German appetite for Belgium; the French appetite for Lorraine), first, because the fact that the world is already partitioned makes it necessary, in the event of a *re-partition*, to stretch out one's hand to *any* kind of territory, and second, because an essential feature of imperialism is the rivalry between a number of great powers in striving for hegemony, *i.e.*, for the seizure of territory, not so much for their own direct advantage as to weaken the adversary and undermine *his* hegemony (for Germany, Belgium is chiefly necessary as a base against England; for England, Bagdad as a base against Germany,[20] *etc.*).

Kautsky refers especially—and repeatedly—to the Englishmen who, he alleges, have established the purely political meaning of the word "imperialism" in his, Kautsky's, sense. We take up the work by the Englishman, Hobson, *Imperialism*, which appeared in 1902, and therein we read:

> The new imperialism differs from the older, first, in substituting for the ambition of a single growing empire the theory and the practise of competing empires, each motived by similar lusts of political aggrandisement and commercial gain; secondly, in the dominance of financial or investing over mercantile interests.*

* Hobson, *op. cit.*, p. 324.

We see that Kautsky is absolutely wrong in factually referring to Englishmen in general (unless he meant the vulgar British imperialists, or the avowed apologists for imperialism). We see that Kautsky, while pretending that he is continuing to defend Marxism, is really taking a step backward in comparison with the *social-liberal* Hobson, who rightly takes account of two "historically concrete" (Kautsky virtually ridicules historical concreteness by his definition) features of modern imperialism: (1) the competition between *several* imperialisms and (2) the predominance of the financier over the merchant. Yet if it were chiefly a question of the annexation of an agrarian country by an industrial one, the rôle played by the merchant would be predominant.

But Kautsky's definition is not only wrong and un-Marxian. It serves as a basis for a whole system of views which all along the line run counter to Marxian theory and practise; we shall refer to this again. The argument about words which Kautsky raises as to whether the newest stage of capitalism should be called imperialism or the stage of finance capital is really not serious. Call it what you will, it makes no difference. The important thing is that Kautsky detaches the policy of imperialism from its economics, speaks of annexations as being a policy "preferred" by finance capital, and opposes to it another bourgeois policy which he alleges to be possible on the same basis of finance capital. It would follow that monopolies in economics are compatible with methods which are neither monopolistic, nor violent, nor annexationist, in politics. It would follow that the territorial division of the world, which was completed precisely during the period of finance capital and which represents the main feature of the present peculiar forms of rivalry between the greatest capitalist states, is compatible with a non-imperialist policy. The result is a slurring-over and a blunting of the most profound contradictions of the newest stage of capitalism, instead of an exposure of their depth. The result is bourgeois reformism instead of Marxism.

Kautsky enters into controversy with the German apologist of imperialism and annexations, Cunow, who clumsily and cynically argues that: imperialism is modern capitalism; the development of capitalism is inevitable and progressive; therefore imperialism is progressive; therefore we should bow down before imperialism and vaunt its praises. This is something like the caricature of the Rus-

sian Marxists which the Narodniks* drew in 1894-1895. They used to argue that if the Marxists considered capitalism inevitable and progressive in Russia, they ought to open up a public-house and start breeding capitalism! Kautsky retorts to Cunow: No, imperialism is not modern capitalism, but only one of the forms of the policy of modern capitalism. This policy we can and must fight; we can and must fight against imperialism, annexations, *etc.*

The retort sounds quite plausible. But in effect it is a more subtle and disguised (and, therefore, more dangerous) preaching of conciliation with imperialism, for unless the "struggle" against the policy of the trusts and banks strikes at the economic bases of the trusts and banks, it reduces itself to bourgeois reformism and pacifism, to an innocent and benevolent expression of pious hopes. Kautsky's theory, which has nothing in common with Marxism, avoids mentioning existing contradictions, and ignores the most important of them instead of revealing them in their full depth. Naturally, such a "theory" can only serve the purpose of defending unity with the Cunows!

From a purely economic point of view, says Kautsky, it is not impossible that capitalism will pass through yet another new phase, that of the extension of the policy of the cartels to foreign policy, the phase of ultra-imperialism,** *i.e.*, of a super-imperialism, a union of world imperialisms and not struggles among them; a phase when wars shall cease under capitalism, a phase of "the joint exploitation of the world by an internationally combined finance capital."***

We shall have to deal with this "theory of ultra-imperialism" later to show in detail how decisively and utterly it departs from Marxism. Meanwhile, in keeping with the general plan of the present work, we must examine the exact economic data on this question. Is "ultra-imperialism" possible "from the purely economic point of view," or is this ultra-nonsense?

If by the purely economic point of view is meant a "pure" abstraction, then all that can be said resolves itself into the following proposition: evolution is proceeding towards monopoly; therefore

* Populists.—*Ed.*

** *Die Neue Zeit*, 33rd Year, II, p. 144. (Lenin summarises Kautsky.—*Ed.*)

*** *Ibid.* *Cf.* also *Die Neue Zeit*, 32nd Year, II, 1914, p. 909.

the trend is towards a single world monopoly, single world trust. This is indisputable, but it is also as completely devoid of meaning as is the statement that "evolution is proceeding" towards the manufacture of foodstuffs in laboratories. In this sense the "theory" of ultra-imperialism is no less absurd than a "theory of ultra-agriculture" would be.

If, on the other hand, we are discussing the "purely economic" conditions of the epoch of finance capital as an historically concrete epoch of the beginning of the twentieth century, then the best reply to the lifeless abstractions of "ultra-imperialism" (which serve an exclusively reactionary aim: that of diverting attention from the depth of *existing* contradictions) is to contrast them with the concrete economic realities of present-day world economy. Kautsky's meaningless talk about ultra-imperialism encourages, among other things, the profoundly mistaken idea, which only brings grist to the mill of the apologists of imperialism, that the domination of finance capital *weakens* the unevenness and contradictions within world economy, whereas in reality it *strengthens* them.

Richard Calwer, in his little book, *An Introduction to World Economy*,* attempted to compile the chief, purely economic data necessary to understand, in a concrete way, the inter-relations within world economy at the turn of the nineteenth century. He divides the world into five "main economic regions": (1) Central Europe (the whole of Europe with the exception of Russia and Great Britain); (2) Great Britain; (3) Russia; (4) Eastern Asia; (5) America. He includes the colonies in the "regions" of the states to which they belong and "puts aside" a few countries not distributed according to regions, such as Persia, Afghanistan and Arabia in Asia, Morocco and Abyssinia in Africa, *etc.* (See table on p. 87.—*Ed.*)

We observe three regions with highly developed capitalism (with a high development of means of communication, trade and industry): the Central European, the British, and the American. Among them are three states which dominate the world: Germany, Britain, the United States. Imperialist rivalry and the struggle between these countries have become very keen because Germany has only an insignificant area and few colonies; the creation of "Central Europe" is still a matter for the future, and it is being born in the midst of

* Richard Calwer, *Einführung in die Weltwirtschaft*, Berlin, 1906, pp. 3-12, 16-21, 26, 35, 63, 68, 72.

desperate struggles. For the moment the distinctive feature of all Europe is political disintegration. In the British and American regions, on the contrary, political concentration is very highly developed, but there is a tremendous disparity between the immense colonies of the former and the insignificant colonies of the latter. In the colonies, capitalism is only beginning to develop. The struggle for South America becomes more and more bitter.

Here is a summary of the economic data he gives on these regions:

Principal Econ. Regions of the World	Area (in mill. sq. km.)	Pop. (in mills.)	Transport		Trade Imp. and Exp. (in bill. Mks.)	Industry		
			Rlwys. (in thous. km.)	Merch. fleet (in mill. tons)		Yearly Output of Coal (in mill. tons)	Output of Pig Iron (in mill. tons)	No. of Cotton Spindles (in mills.)
1. Cent. European	27.6 (23.6)*	388 (146)	204	8	41	251	15	26
2. British	28.9 (28.6)	398 (355)	140	11	25	249	9	51
3. Russian	22.	131	63	1	3	16	3	7
4. East. Asian .	12.	389	8	1	2	8	0.02	2
5. American ...	30.	148	379	6	14	245	14	19

There are two regions where capitalism is poorly developed: Russia and Eastern Asia. In the former the density of population is low, in the latter it is very high; in the former, political concentration is high, in the latter it does not exist. The partition of China has only just begun, and the struggle for it between Japan, the U. S. A., *etc.*, is continually gaining in intensity.

Compare this reality, the vast diversity of economic and political conditions, the extreme disparity in the rate of growth of the various countries, the frenzied struggles among the imperialist states, with Kautsky's stupid little fable about "peaceful" ultra-imperialism. Is this not the reactionary attempt of a frightened petty-bourgeois to hide from stern reality? Do not the international cartels, which seem to Kautsky to be the embryos of "ultra-imperialism" (as the manufacture of tablets in a laboratory "might" seem to be ultra-

* The figures in parentheses show the area and population of the colonies.

agriculture in embryo) present an example of the division and the *re-division* of the world, the transition from peaceful division to non-peaceful and vice versa? Is not American and other finance capital, which peacefully divided up the whole world, with Germany's participation (for instance in the international rail syndicate, or in the international mercantile shipping trust) now *re-dividing* the world on the basis of a new alignment of forces which are being changed by methods altogether *non*-peaceful?

Finance capital and the trusts are aggravating instead of diminishing the differences between the rates of development of the various parts of world economy. When the alignment of forces is changed, how else, *under capitalism*, can a solution of the contradictions be found, except through *force?*

Railway statistics provide remarkably exact data on the different rates of growth of capitalism and finance capital in world economy.* In the last decades of imperialist development, the total length of railways has changed as follows:

RAILROADS
(In Thousands of Kilometres)

	1890		1913		Increase	
Europe	224		346		122	
United States	268		411		143	
Colonies (total)	82		210		128	
Independent or semi-dependent states of Asia and America	43	125	137	347	94	222
Total	617		1,104		487	

The development of railways has been most rapid in the colonies and in the independent (and semi-independent) states of Asia and America. It is known that here the finance capital of the four or five biggest capitalist states reigns fully. Two hundred thousand kilometres of new railway lines in the colonies and in the other countries of Asia and America represent more than 40 billion marks in capital, newly invested on particularly advantageous terms, with special guarantees of a good return, with profitable orders for steel mills, *etc., etc.,*

Capitalism is growing most rapidly in the colonies and in trans-

* *Statistisches Jahrbuch für das Deutsche Reich,* 1915, Supplement, pp. 46 47; *Archiv für Eisenbahnwesen 1892;* for 1890 minor details referring to the distribution of railways in the colonies of the respective countries had to be approximated.

oceanic countries. Amongst the latter *new* imperialist powers are emerging (Japan). The struggle of world imperialisms is becoming acute. The tribute levied by finance capital on the most profitable colonial and transoceanic enterprises is increasing. In dividing up this "booty," an exceptionally large share goes to countries which, as far as rate of development of productive forces is concerned, do not always stand at the top of the list. In the case of the greatest powers, considered with their colonies, the total length of railways (in thousands of kilometres) was as follows:

	1890	1913	Increase
United States	268	413	145
British Empire	107	208	101
Russia	32	78	46
Germany	43	68	25
France	41	63	22
Total	491	830	339

Thus, about eighty per cent of the total railways are concentrated in the hands of the five greatest powers. But the concentration of the *ownership* of these railways, the concentration of finance capital, is immeasurably more important; French and English millionaires, for example, own an enormous amount of stocks and bonds in American, Russian and other railways.

Thanks to its colonies, Great Britain has increased "its" network of railways by 100,000 kilometres, four times as much as Germany. At the same time, it is known that the development of productive forces in Germany during this period, and especially the development of the coal and iron industries, has been incomparably more rapid than in England—not to mention France or Russia. In 1892, Germany produced 4.9 million tons of pig iron, and Great Britain 6.8 million tons; but in 1912, Germany produced 17.6 million tons against Great Britain's 9 million, an overwhelming superiority over England! * The question arises, is there, *under capitalism*, any means of eliminating the disparity between the development of productive forces and the accumulation of capital on the one side, and the partition of colonies and "spheres of influence" by finance capital on the other side—other than war?

* *Cf.* also Edgar Crammond, "The Economic Relation of the British and German Empires," in *Journal of the Royal Statistical Society*, July, 1914, p. 777.

CHAPTER VIII

PARASITISM AND THE DECAY OF CAPITALISM

WE have now to examine another very important aspect of imperialism, to which, usually, too little attention is paid in the majority of discussions on this subject. One of the shortcomings of the Marxist, Hilferding, is that he took a step backward in comparison with the non-Marxist, Hobson. We refer to parasitism, inherent in imperialism.

As we have seen, the most deep-rooted economic foundation of imperialism is monopoly. This is capitalist monopoly, *i.e.*, monopoly which has grown out of capitalism, and exists in the general capitalist environment of commodity production and competition, in permanent and insoluble contradiction to this general environment. Nevertheless, like any monopoly, it inevitably gives rise to a tendency towards stagnation and decay. In proportion as monopoly prices become fixed, even temporarily, so the stimulus to technical, and consequently to all other progress, to advance, tends to disappear; and to that extent also the *economic* possibility arises of artificially retarding technical progress. For instance, in America a certain Owens invented a machine which revolutionised the manufacture of bottles. The German bottle-manufacturing cartel purchased Owens's patents, but pigeon-holed them and held up their practical application. Certainly, monopoly under capitalism can never completely, and for any length of time, eliminate competition on the world market (and this is one of the reasons why the theory of ultra-imperialism is absurd). Of course, the possibility of reducing cost of production and increasing profits by introducing technical improvements is an influence in the direction of change. Nevertheless, the *tendency* towards stagnation and decay, inherent in monopoly, continues in turn to operate in individual branches of industry; in individual countries, for certain periods of time, it gains the upper hand.

The monopoly of ownership of very extensive, rich or well-situated colonies, works in the same direction.

Moreover, imperialism is an immense accumulation of money capital in a few countries, which, as we have seen, amounts to 100 or 150 billions francs in securities. Hence the extraordinary growth of a class, or rather of a stratum, of *rentiers, i.e.*, persons who live by "clipping coupons," who take absolutely no part in any enterprise, and whose profession is idleness. The exportation of capital, one of the most essential economic bases of imperialism, still further isolates this rentier stratum from production and sets the seal of parasitism on the whole country living on the exploitation of the labour of several overseas countries and colonies.

In 1893—writes Hobson—the British capital invested abroad represented about 15 per cent of the total wealth of the United Kingdom.*

Let us remember that by 1915 this capital had increased about two and a half times.

Aggressive imperialism—says Hobson further on—which costs the tax-payer so dear, which is of so little value to the manufacturer and trader . . . is a source of great gain to the investor. . . . The annual income Great Britain derives from commissions on her whole foreign and colonial trade, import and export, is estimated by Sir R. Giffen [the statistician] at £18,000,000 for 1899, taken at 2½ per cent, upon a turnover of £800,000,000.**

Considerable as this sum is, it cannot entirely explain the aggressive imperialism of Great Britain. This is explained by the 90 to 100 million pounds revenue from "invested" capital, the income of the rentier class.

The income of the rentiers is *five times* as great as the revenue obtained from the foreign trade of the greatest "trading" country in the world! This is the essence of imperialism and imperialist parasitism.

For this reason the term "rentier state" (*Rentnerstaat*) or usurer state is coming into general use in the economic literature on imperialism. The world has become divided into a handful of usurer states and a vast majority of debtor states.

The premier place among foreign investments—says Schulze-Gaevernitz—is taken by those invested in politically dependent, or closely allied countries. England makes loans to Egypt, Japan, China, South America. Her war fleet plays the part of sheriff in case of necessity. England's political power protects her from the anger of her debtors. . . .***

* Hobson, *op. cit.*, p. 59.
** *Ibid.*, pp. 62-63.—*Ed.*
*** Schulze-Gaevernitz, *Britischer Imperialismus*, p. 320.

Sartorius von Waltershausen in his work, *The National Economic System of Foreign Capital Investments*, cites Holland as the model rentier state, and points out that England and France are now becoming such.* Schilder believes that five industrial nations are "definitely avowed creditor nations": England, France, Germany, Belgium and Switzerland. Holland does not appear on this list simply because it is "less industrialised." ** The United States is the creditor only of other American countries.

> England—writes Schulze-Gaevernitz—is gradually being transformed from an industrial state into a creditor state. Notwithstanding the absolute increase in industrial production and exports, the relative importance of revenue from interest and dividends, profits from issues, commissions and speculation is on the increase, when the whole national economy is taken into account. In my opinion it is this fact which is at the economic base of imperialist expansion. The creditor is more firmly tied to the debtor than the seller is to the buyer.***

In regard to Germany, A. Lansburgh, the editor of *Die Bank*, in 1911, in an article entitled, "Germany As A Rentier State," wrote the following:

> People in Germany like to sneer at the inclination observed in France for people to become rentiers. But they forget meanwhile that, as far as the middle class is concerned, the situation in Germany is becoming more and more like that in France. ****

The rentier state is a state of parasitic decaying capitalism, and this circumstance cannot fail to be reflected in all the social-political conditions of the affected countries in general, and particularly in the two fundamental tendencies in the working class movement. To demonstrate this as clearly as possible, we shall let Hobson speak,—a most "reliable" witness, since he cannot be suspected of partiality for "orthodox Marxism"; moreover, he is an Englishman who is very well acquainted with the situation in the country which is richest in colonies, in finance capital, and in imperialist experience.

With the Boer War fresh in his mind, Hobson describes the connection between imperialism and the interests of the financiers, their growing profits from armaments, supplies, *etc.*, and writes as follows:

> While the directors of this definitely parasitic policy are capitalists, the same motives appeal to special classes of the workers. In many towns most important

* Sartorius von Waltershausen, *Das volkswirtschaftliche System*, IV.

** Schilder, *op. cit.*, I, pp. 392-393.

*** Schulze-Gaevernitz, *Britischer Imperialismus*, p. 122.

**** *Die Bank*, 1911, I, pp. 10, 11.

trades are dependent upon government employment or contracts; the imperialism of the metal and shipbuilding centres is attributable in no small degree to this fact.*

In this writer's opinion there are two circumstances which weakened the power of the ancient empires: (1) "economic parasitism" and (2) the formation of armies composed of subject peoples.

There is first the habit of economic parasitism, by which the ruling state has used its provinces, colonies, and dependencies in order to enrich its ruling class and to bribe its lower classes into acquiescence.**

And we would add that the economic possibility of such corruption, whatever its form may be, requires monopolistically high profits.

As for the second circumstance, Hobson writes:

One of the strangest symptoms of the blindness of imperialism is the reckless indifference with which Great Britain, France and other imperial nations are embarking on this perilous dependence. Great Britain has gone farthest. Most of the fighting by which we have won our Indian Empire has been done by natives; in India, as more recently in Egypt, great standing armies are placed under British commanders; almost all the fighting associated with our African dominions, except in the southern part, has been done for us by natives.***

The prospect of a dismemberment of China evokes the following economic evaluation by Hobson:

The greater part of Western Europe might then assume the appearance and character already exhibited by tracts of country in the south of England, in the Riviera, and in the tourist-ridden or residential parts of Italy and Switzerland, little clusters of wealthy aristocrats drawing dividends and pensions from the Far East, with a somewhat larger group of professional retainers and tradesmen and a large body of personal servants and workers in the transport trade and in the final stages of production of the more perishable goods: all the main arterial industries would have disappeared, the staple foods and manufactures flowing in as tribute from Asia and Africa. . . .

We have foreshadowed the possibility of even a larger alliance of Western states, a European federation of great powers which, so far from forwarding the cause of world-civilisation, might introduce the gigantic peril of a Western parasitism, a group of advanced industrial nations, whose upper classes drew vast tribute from Asia and Africa, with which they support great tame masses of retainers, no longer engaged in the staple industries of agriculture and manufacture, but kept in the performance of personal or minor industrial services under the control of a new financial aristocracy. Let those who would scout such a theory as undeserving of consideration examine the economic and social condition of districts in Southern England to-day which are already reduced to this condition, and reflect upon the vast extension of such a system

* Hobson, *op. cit.*, p. 103.

** *Ibid.*, p. 205.

*** *Ibid.*, p. 144.

which might be rendered feasible by the subjection of China to the economic control of similar groups of financiers, investors, and political and business officials, draining the greatest potential reservoir of profit the world has ever known, in order to consume it in Europe. The situation is far too complex, the play of world-forces far too incalculable, to render this or any other single interpretation of the future very probable; but the influences which govern the imperialism of Western Europe to-day are moving in this direction, and, unless counteracted or diverted, make towards some such consummation.*

Hobson is quite right. If the forces of imperialism were not counteracted they would lead to just that. He correctly appraises the significance of a "United States of Europe," in the present, imperialist stage. But it must be added that *even within* the labour movement, the opportunists, who for the moment have been victorious in most countries, are "working" systematically and undeviatingly in this very direction. Imperialism, which means the partition of the world and the exploitation not of China alone; which means monopolistically high profits for a handful of very rich countries, creates the economic possibility of corrupting the upper strata of the proletariat, and thereby fosters, gives form to and strengthens opportunism. However, we must not lose sight of the forces which counteract imperialism generally and opportunism in particular, which, naturally, the social-liberal Hobson does not see.

The German opportunist, Gerhard Hilderbrand, who at one time was expelled from the party for defending imperialism, but would to-day make a good leader of the so-called "Social-Democratic" Party of Germany, serves as a good supplement to Hobson by his advocacy of a "United States of Western Europe" (without Russia) for the purpose of "joint" action against . . . the African Negroes, the "great Islamic movement"; for the "maintenance of a powerful army and navy" against a "Sino-Japanese coalition," *etc.***

The description of "British imperialism" in Schulze-Gaevernitz's book reveals the same parasitical traits. The national income of Great Britain approximately doubled between 1865 and 1898, while the income "from abroad" increased *ninefold* in the same period. While the "merit" of imperialism is that it "trains the Negro to work," (not without coercion, of course . . .) the "danger" of imperialism is that Europe

* *Ibid.*, pp. 335, 385, 386.

** Gerhard Hildebrand, *Die Erschütterung der Industrieherrschaft und des Industriesozialismus*, Jena, 1910, p. 229 *ff*.

will shift the burden of physical toil—first agricultural and mining, then heavy industrial labour—on to the coloured peoples, and itself be content with the rôle of rentier, and in this way, perhaps, pave the way for the economic and later, the political emancipation of the coloured races.

An increasing proportion of land in Great Britain is being taken out of cultivation and used for sport, for the diversion of the rich. It is said of Scotland—the most aristocratic place for hunting and other sport—that it "lives on its past and Mr. Carnegie" (an American billionaire). Britain annually spends £14,000,000 on horse-racing and fox-hunting alone. The number of rentiers in Great Britain is about a million. The percentage of producers among the population is becoming smaller.

Year	Population of England and Wales (in millions)	No. of workers employed in basic industries (in millions)	Per cent of the population
1851	17.9	4.1	23
1901	32.5	5.0	15

And, in speaking of the British working class, the bourgeois student of "British imperialism at the beginning of the twentieth century" is obliged to distinguish systematically between the "*upper stratum*" and the "*lower proletarian stratum proper.*" The upper stratum furnishes the main body of co-operators, of trade unionists, of members of sporting clubs and of numerous religious sects. The right to vote, which in Great Britain, is still "*sufficiently restricted to exclude the lower proletarian stratum proper,*" is adapted to their level! In order to present the condition of the British working class in the best light, only this upper stratum—which constitutes only a *minority* of the proletariat—is generally spoken of. For instance: "The problem of unemployment is mainly a London problem and that of the lower proletarian stratum, *with whom politicians are little concerned. . . .*"* It would be better to say: with whom the bourgeois politicians and the "Socialist" opportunists are little concerned.

Another one of the peculiarities of imperialism connected with the facts that we are describing, is the decline in emigration from imperialist countries, and the increase in immigration (influx of

* Schulze-Gaevernitz, *Britischer Imperialismus,* pp. 246, 301, 317, 323, 324, 361. (Lenin's italics.—*Ed.*)

workers and transmigration) to these countries from the more backward countries, where wages are lower. As Hobson observes, emigration from Great Britain has been declining since 1884. In that year the number of emigrants was 242,000, while in 1900 the number was 169,000. German emigration reached its highest point in the decade 1881-1890 with a total of 1,453,000 emigrants. In the following two decades it fell to 544,000 and 341,000. On the other hand there was an increase in the number of workers entering Germany from Austria, Italy, Russia and other countries. According to the 1907 census, there were 1,342,294 foreigners in Germany, of whom 440,800 were industrial workers and 257,329 were agricultural workers.* In France, the workers employed in the mining industry are "in great part" foreigners: Polish, Italian and Spanish.** In the United States, immigrants from Eastern and Southern Europe are engaged in the most poorly paid occupations, while American workers provide the highest percentage of foremen and of the better-paid workers.*** Imperialism has the tendency to create privileged sections even among the workers, and to separate them from the main proletarian masses.

It must be observed that in Great Britain the tendency of imperialism to split the workers, to strengthen opportunism among them, and cause temporary decay in the working class movement, revealed itself much earlier than the end of the nineteenth and beginning of the twentieth centuries; for two important distinguishing features of imperialism were observed in Great Britain in the middle of the nineteenth century, *viz.*, vast colonial possessions and a monopolist position in world markets. For several decades Marx and Engels systematically traced this connection between opportunism in the labour movement and the imperialist features of British capitalism. For example, on October 7, 1858, Engels wrote to Marx:

> . . . the British working class is actually becoming more and more bourgeois, and it seems that this most bourgeois of all nations wants to bring matters to such a pass as to have a bourgeois aristocracy and a bourgeois proletariat *side by side* with the bourgeoisie. Of course this is to some extent justifiable for a nation which is exploiting the whole world.

* *Statistik des Deutschen Reiches*, Vol. 211, p. 306; Supplement, p. 178.

** Hans Henger, *Die Kapitalsanlage der Franzosen in Wertpapieren*, 1913, p. 75.

*** Isaac A. Hourwich, *Immigration and Labor*, New York, 1913.

Almost a quarter of a century later, in a letter dated August 11, 1881, Engels speaks of the "very worst English . . . [trade unions.—*Ed.*] which allow themselves to be led by men sold to, or at least paid by the middle class." * In a letter to Kautsky, dated September 12, 1882, Engels wrote:

> You ask me what the English workers think of the colonial policy? The same as they think about politics in general. There is no labour party here, there are only conservatives and liberal radicals, and the workers enjoy with them the fruits of the British world market and colonial monopoly.** [Engels sets forth the same ideas in his preface to the second edition of *The Condition of the Working Class in England,* published in 1892.[21]]

Here causes and effects are clearly shown. Causes: (1) exploitation of the whole world by this country; (2) its monopolistic position in the world market; (3) its colonial monopoly. Effects: (1) bourgeoisification of a part of the British proletariat; (2) a part of the proletariat permits itself to be led by people who are bought by the bourgeoisie, or who at least are paid by it. The imperialism of the beginning of the twentieth century completed the partition of the world by a very few states, each of which to-day exploits (in the sense of drawing super-profits from) a part of the world only a little smaller than that which England exploited in 1858. Each of them, by means of trusts, cartels, finance capital, and the relations between debtor and creditor, occupies a monopoly position on the world market. Each of them enjoys to some degree a colonial monopoly. (We have seen that out of 75 million square kilometres of *total* colonial area in the world, 65 million, or 86 per cent, is concentrated in the hands of six powers; 61 million, or 81 per cent, belongs to three powers.)

The distinctive feature of the present situation is the prevalence of economic and political conditions which could not but intensify the irreconcilability between opportunism and the general and basic interests of the labour movement. Imperialism has grown from an embryo into a dominant system; capitalist monopolies occupy first place in national economics and politics; the partition of the

* *Der Briefwechsel zwischen Friedrich Engels und Karl Marx,* Vol. II, p. 290; Vol. IV, p. 433. (The passage quoted from letter of Aug. 11, 1881, was written by Engels in English.—*Ed.*)

** Karl Kautsky, *Sozialismus und Kolonialpolitik,* Berlin, 1907, p. 79; Kautsky wrote this brochure in those infinitely remote days when he was still a Marxist.

world has been completed. On the other hand, instead of an undivided monopoly by Britain, we see a few imperialist powers fighting among themselves for the right to share in this monopoly, and this struggle is characteristic of the whole period of the beginning of the twentieth century.

Opportunism cannot now triumph completely in the labour movement of any country for many decades as it did in England in the second half of the nineteenth century, but in several countries it has finally grown ripe, over-ripe and rotten, and has become completely merged with bourgeois policy as "social-chauvinism." *

* The Russian social-chauvinism of Messrs. Potresov, Chkhenkeli, Maslov, *etc.*, in its open as well as its concealed form (Messrs. Chkheidze, Skobelev, Axelrod, Martov, *etc.*) also grew out of the Russian variety of opportunism, liquidationism.

CHAPTER IX

CRITIQUE OF IMPERIALISM

By the critique of imperialism, in the broad sense of the term, we mean the attitude of the different classes of society towards imperialist policy in connection with their general ideology.

The enormous dimensions of finance capital concentrated in a few hands and creating an extremely extensive and close network of ties and relationships, which subordinates to itself not only the bulk of the medium and small, but even very smallest capitalists and petty owners, on the one hand, and an intense struggle waged against other national-state groups of financiers for the partition of the world and domination over other countries, on the other hand —cause the possessing classes to go over as one to the side of imperialism. The signs of the times are a "general" enthusiasm regarding its prospects, a passionate defence of imperialism, and every possible camouflage of its real nature. The imperialist ideology is also permeating the working class. There is no Chinese Wall between it and the other classes. The leaders of the present so-called "Social-Democratic" Party of Germany are justly called social-imperialists; that is, Socialists in words and imperialists in deeds; and as early as 1902, Hobson noted the existence of "Fabian imperialists" in England who belonged to the opportunist "Fabian Society."

The bourgeois scholars and publicists usually present their defence of imperialism in a somewhat veiled form, obscure the fact that it is in complete domination, and conceal its deep roots; they strive to concentrate attention on special aspects and characteristics of secondary importance, and do their utmost to distract attention from the main issue by advancing absolutely ridiculous schemes for "reform," such as police supervision of the trusts or banks, *etc.* Less frequently, cynical and frank imperialists speak out and are bold enough to admit the absurdity of the idea of "reforming" the fundamental features of imperialism.

We will give an example. The German imperialists attempt, in

the *Archives of World Economy*, to trace the movements for national emancipation in the colonies, particularly, of course, in colonies other than German. They note the ferment and protest movements in India; the movement in Natal (South Africa), in the Dutch East Indies, *etc.* One of them, commenting on an English report of the speeches delivered at a conference of subject peoples and races, held on June 28-30, 1910, consisting of representatives of various peoples under foreign domination in Africa, Asia and Europe, writes as follows:

> We are told that we must fight against imperialism; that the dominant states must recognise the right of subjugated peoples to self-government; that an international tribunal should supervise the fulfilment of treaties concluded between the great powers and the weaker peoples. Beyond the expression of these pious hopes the conference does not go. We see no trace of a realisation of the fact that imperialism is indissolubly bound up with capitalism in its present form and that therefore (!!) it is hopeless to fight directly against imperialism, except perhaps if the fight is confined to protests against certain of its most hateful excesses.*

Since reforming the bases of imperialism is an illusion, a "pious hope," since the bourgeois representatives of oppressed nations do not go "further," the bourgeois representatives of the oppressing nations do go "further," but backward, to servility to imperialism, concealed by a pretence to "science." "Logic," indeed!

The question as to whether it is possible to change the bases of imperialism by reforms, whether to go forward to a further aggravation and accentuation of the contradictions it engenders, or backwards towards allaying them, is a fundamental question in the critique of imperialism. The fact that the political characteristics of imperialism are reaction all along the line and increased national oppression, in connection with oppression by the financial oligarchy and the elimination of free competition, has given rise to a petty-bourgeois-democratic opposition to imperialism in almost all imperialist countries since the beginning of the twentieth century. And the break with Marxism made by Kautsky and the broad international Kautskyist tendency consists in the very fact that Kautsky not only did not trouble to, and did not know how to, take a stand against this petty-bourgeois reformist opposition, which is reactionary in its economic basis, but, on the contrary, in practice became identified with it.

* *Weltwirtschaftliches Archiv*, Vol. II, 1913, pp. 194-195.

In the United States, the imperialist war waged against Spain in 1898 gave rise to an "anti-imperialist" opposition by the last of the Mohicans of bourgeois democracy. They declared this war "criminal"; they denounced the annexation of foreign territories as a violation of the Constitution, and decried the "jingo treachery" by means of which Aguinaldo, leader of the native Filipinos, was deceived (he was promised liberty for his country, but later American troops were landed there and the Philippines were annexed). They quoted the words of Lincoln:

> When the white man governs himself, that is self-government; but when he governs himself and also governs another man, that is more than self-government—that is despotism.*

But as long as all this criticism shrank from recognising the indissoluble bond between imperialism and the trusts, and, therefore, between imperialism and the foundations of capitalism; as long as it shrank from aligning itself with the forces being engendered by large-scale capitalism and its development, it remained a "pious hope."

This also, in the main, is the position of Hobson in his criticism of imperialism. Hobson anticipated Kautsky in protesting against the "inevitability of imperialism," and in making an appeal showing the need to "raise the consuming capacity" of the people (under capitalism!). The petty-bourgeois point of view in the critique of imperialism, the omnipotence of the banks, the financial oligarchy, *etc.*, is that adopted by authors whom we have repeatedly quoted, such as Agahd, Lansburgh, L. Eschwege, and, among French writers, Victor Bérard, author of a superficial book entitled *England and Imperialism,* which appeared in 1900. All of these, who make no claim whatever to being Marxists, contrast imperialism with free competition and democracy; they condemn the Bagdad railway adventure as leading to disputes and war, utter "pious hopes" for peace, *etc.*, including the compiler of international stock issue statistics, A. Neymarck, who, after calculating the hundreds of billions of francs of "international" securities, exclaimed in 1912:

* Quoted by Patouillet, *L'imperialisme américain,* Dijon, 1904, p. 272. (From speech "On the Repeal of the Missouri Compromise" at Peoria, Illinois, October 16, 1854.—*Ed.*)

Is it possible to believe that peace can be disturbed? . . . that, in the face of these enormous figures . . . any one would risk starting a war? *

Such simplicity of mind on the part of bourgeois economists is not surprising. Besides, *it is in their interest* to pretend to be so naïve and to talk "seriously" about peace under imperialism. But what remains of Kautsky's Marxism when, in 1914-1915-1916, he takes the same bourgeois-reformist point of view and affirms that "we are all agreed" (imperialists, pseudo-Socialists, and social-pacifists) with regard to peace? Instead of an analysis of imperialism and an exposure of the depths of its contradictions, we have nothing but a reformist "pious hope" of side-stepping and evading them.

Here is an example of Kautsky's economic critique of imperialism. He takes the statistics of British export and import trade with Egypt for 1872 and 1912. These statistics show that this import and export trade has grown more slowly than British exports and imports as a whole. From this, Kautsky concludes:

We have no reason to suppose that British trade with Egypt would have developed less, as a result of the operation of economic factors alone, without the military occupations of Egypt. . . . The efforts of present-day states to expand can best be satisfied not by the violent methods of imperialism, but by peaceful democracy.**

This argument of Kautsky's which is repeated in every key by his Russian armour-bearer (and Russian sponsor of social-chauvinists) Mr. Spectator, constitutes the basis of Kautsky's critique of imperialism, and that is why we must deal with it in greater detail. We shall begin with a quotation from Hilferding, whose conclusions Kautsky, on many occasions, including April, 1915, declared, "have been unanimously accepted by all Socialist theoreticians."

. . . It is not the business of the proletariat—wrote Hilferding—to contrast the more progressive capitalist policy with the policy, now overcome, of the era of free trade and of hostility towards the state. The reply of the proletariat to the economic policy of finance capital, to imperialism, cannot be free trade, but Socialism alone. The aim of proletarian policy cannot now be the idea of restoring free competition—now become a reactionary ideal—but only the complete abolition of competition by the abolition of capitalism.***

* *Bulletin de l'Institut International de Statistique,* Vol. XIX, *Livre* II, p. 225.

** Karl Kautsky, *Nationalstaat, imperialistischer Staat und Staatenbund,* Nürnberg, 1915, pp. 70, 72.

*** Hilferding, *op. cit.,* p. 504.

Kautsky broke with Marxism by advocating what is, in the period of finance capital, a "reactionary ideal," "peaceful democracy," "the simple weight of economic factors"; for, *objectively*, this ideal drags us back from monopoly to non-monopoly capitalism, and is a reformist swindle.

Trade with Egypt (or with any other colony or semi-colony) "would have developed better" *without* military occupation, without imperialism, without finance capital. What does this mean? That capitalism would develop more rapidly if free competition were not restricted by monopolies in general, nor by the "ties" nor the yoke, (*i.e.*, again the monopoly) of finance capital, nor by the monopolist possession of colonies by individual countries?

Kautsky's arguments can have no other sense; and *this* "sense" is nonsense. But suppose that it is so, that free competition, without any sort of monopoly, *would* develop capitalism and trade more rapidly, is it not a fact that the more rapidly capitalism and trade develop, the greater is the concentration of production and capital which *gives rise* to monopoly? And monopolies have *already* come into being—precisely *out of* free competition! Even if monopolies have now begun to retard progress, this is not an argument in favour of free competition, which became impossible after it gave birth to monopolies.

However one may twist Kautsky's argument, there is nothing in it but reaction and bourgeois reformism. Even if we correct this argument and say, as Spectator says, that the trade of the British colonies with Britain is now developing more slowly than their trade with other countries, that likewise does not save Kautsky; for Britain *also* is being beaten by monopoly, by imperialism, only by that of other countries (America, Germany). It is well known that the cartels have given rise to a new and original form of protective tariffs—goods suitable for export are protected (Engels noted this in Volume III of *Capital* [22]). It is well known, too, that the cartels and finance capital have a system peculiar to themselves of exporting goods at "dumping prices," or "dumping," as the English call it: within the country the cartel sells its products at a monopolistically high price; abroad it disposes of them at a fraction of this price to undermine a competitor, to increase its own production to the maximum, *etc.* If German trade with the British colonies is developing more rapidly than that of Britain, it only proves that

German imperialism is younger, stronger, better organised, and more highly developed than the British, but this by no means proves the "superiority" of free trade, for it is not free trade fighting against protection and colonial dependence, but one imperialism fighting another, one monopoly against another, one finance capital against another. The superiority of German imperialism over British imperialism is stronger than the wall of colonial frontiers or of protective tariffs. To derive from this any "argument" *in favour* of free trade and "peaceful democracy" is insipidity, it is to vulgarise the essential features and qualities of imperialism, to substitute petty-bourgeois reformism for Marxism.

It is interesting to note that even the bourgeois economist, A. Lansburgh, whose criticism of imperialism is as petty-bourgeois as Kautsky's, nevertheless came nearer a scientific study of trade statistics. He did not compare one country, chosen at random, and only one colony, with the rest of the countries; he compared the export trade of an imperialist country, first with countries financially dependent upon it, borrowing money from it, and second with financially independent countries. He obtained the following results:

EXPORTS FROM GERMANY
(In millions of marks)

To Countries Financially Dependent on Germany

	1889	1908	Percentage of increase
Rumania	48.2	70.8	47
Portugal	19.0	32.8	73
Argentina	60.7	147.0	143
Brazil	48.7	84.5	73
Chile	28.3	52.4	85
Turkey	29.9	64.0	114
Total	234.8	451.5	92

To Countries Financially Independent of Germany

	1889	1908	Percentage of increase
Great Britain	651.8	997.4	53
France	210.2	437.9	108
Belgium	137.2	322.8	135
Switzerland	177.4	401.1	127
Australia	21.2	64.5	205
Dutch East Indies	8.8	40.7	363
Total	1,206.6	2,264.4	87

Lansburgh did not add up the columns and therefore, strangely enough, failed to observe that *if* the figures prove anything at all, they speak only *against* him, for the exports to countries financially dependent on Germany have grown *more rapidly*, though only a little, than those to the financially independent countries (we emphasise the *if*, for Lansburgh's figures are far from being complete).

Tracing the connection between export trade and loans, Lansburgh wrote:

In 1890-91, a Rumanian loan was subscribed through the German banks, which had already in previous years made advances on this loan. The loan was used chiefly for purchases of railway material in Germany. In 1891, German exports to Rumania amounted to 55 million marks. The following year they fell to 39.4 million; then, with fluctuations, to 25.4 million in 1900. Only in the most recent years have they regained the level of 1891, thanks to a few new loans.

German exports to Portugal rose, following the loans of 1888-1889, to 21.1 million marks (1890), then fell, in the two following years, to 16.2 million and 7.4 million, and only regained their former level in 1903.

German trade with the Argentine is still more striking. As a result of loans floated in 1888 and 1890, German exports to the Argentine reached, in 1889, 60.7 million marks. Two years later they only amounted to 18.6 million, that is, less than one-third. It was not until 1901 that they for the first time surpassed the level of 1889 in connection with new loans floated by the state and by municipalities, the advance of funds for the construction of power stations, and other credit operations.

As for Chile, German exports to that country rose to 45.2 million marks in 1892 as the result of the 1889 loan. The next year they fell to less than half, to 22.5 million. A new Chilean loan floated by German banks in 1906 was followed by a rise of exports in 1907 to 84.7 marks, only to fall back to 52.4 million marks in 1908.*

From these facts Lansburgh draws the amusing petty-bourgeois moral of how unstable and irregular export trade is when it is bound up with loans; how bad it is to invest capital abroad instead of "naturally" and "harmoniously" developing home industry; how "costly" is the rake-off that Krupp has to pay in floating foreign loans, *etc.* But the facts are clear. The increase in exports is *closely* connected with the swindling operations of finance capital, which is not concerned with bourgeois morality and skins the animal twice—first, it pockets the profits from the loan; then profits from the *same* loan when it is used by the borrower to make purchases of Krupp's goods or to obtain railway material from the steel syndicate, *etc.*

We repeat that we do not by any means consider Lansburgh's

* *Die Bank*, 1909, II, pp. 826, 827.

figures perfect. But we had to quote them because they are more scientific than Kautsky's and Spectator's, and Lansburgh shows the correct approach to the question. In order to discuss the importance of finance capital in the matter of exports, *etc.*, one must be able to point out the relation of export especially and solely to the trickery of the financiers, especially and solely to the sale of goods produced by cartels, *etc.* Simply to compare colonies in general with non-colonies, one imperialism with another imperialism, one semi-colony or colony (Egypt) with all other countries, is to evade and cover up the very *gist* of the question.

Kautsky's theoretical critique of imperialism has therefore nothing in common with Marxism and serves no purpose other than as a preamble to propaganda for peace and unity with the opportunists and the social-chauvinists, for the very reason that this critique evades and obscures precisely the most profound and basic contradictions of imperialism: the contradictions of monopolies existing side by side with free competition; the contradictions between the immense "operations" (and immense profits) of finance capital and "fair" trade on the open market; between combines and trusts on the one hand and non-trustified industry on the other, *etc.*

The notorious theory of "ultra-imperialism," invented by Kautsky, is equally reactionary. Compare his arguments on this subject in 1915 with Hobson's arguments of 1902.

Kautsky writes:

> . . . whether it is possible that the present imperialist policy might be supplanted by a new ultra-imperialist policy, which would introduce the joint exploitation of the world by an internationally combined finance capital in place of the mutual rivalries of national finance capitals? Such a new phase of capitalism is at any rate conceivable. Is it realisable? Sufficient evidence is not yet available to enable us to answer this question.*

Hobson writes:

> Christendom thus laid out in a few great federal empires, each with a retinue of uncivilised dependencies, seems to many the most legitimate development of present tendencies, and one which would offer the best hope of permanent peace on an assured basis of inter-imperialism.**

Kautsky called ultra-imperialism or super-imperialism what Hobson thirteen years before had called inter-imperialism. Except for coining a new and clever word by replacing one Latin prefix by

* *Die Neue Zeit,* 33rd Year, II, 1915, p. 144.

** Hobson, *op. cit.*, p. 351.

another, Kautsky's progress in "scientific" thought consists only in his temerity at labelling as Marxism what Hobson in effect described as the cant of English parsons. After the Boer War it was quite natural that this most worthy caste should exert its main effort to *console* the British petty-bourgeoisie and the workers, who had lost many of their relatives on the battlefields of South Africa and who were paying higher taxes in order to guarantee still higher profits for the British financiers. And what better consolation could there be than the theory that imperialism is not so bad, that it stands close to inter- (or ultra-) imperialism, which can assure permanent peace? No matter what the good intentions of the British clergy or of the sugary Kautsky may have been, the objective, that is, the real social significance of his "theory," is this and this alone: a most reactionary consolation of the masses by holding out hopes for a possible permanent peace under capitalism, by distracting their attention from the sharp antagonisms and acute problems of the present and directing their attention to illusory perspectives of some sort of new "ultra-imperialism" of the future. Other than delusion of the masses, there is nothing in Kautsky's "Marxian" theory.

Indeed, it is enough to keep clearly in mind well known and indisputable facts to become convinced of the complete falsity of the perspectives which Kautsky is trying to hold out to the German workers (and the workers of all countries). Let us take India, Indo-China and China. It is well known that these three colonial and semi-colonial countries, inhabited by six or seven hundred million human beings, are subjected to the exploitation of the finance capital of several imperialist powers: Great Britain, France, Japan, the United States, *etc.* Let us assume that these imperialist countries form alliances against one another in order to protect and extend their possessions, interests, and "spheres of influence" in these Asiatic states; these will be "inter-imperialist," or "ultra-imperialist" alliances. Let us assume that *all* the imperialist powers conclude an alliance for the "peaceful" partition of these Asiatic countries; this alliance would be "internationally united finance capital." Actual examples of such an alliance may be seen in the history of the twentieth century, for instance, in the relations of the powers with China. We ask, is it "conceivable," assuming that the capitalist system remains intact (and this is precisely the assumption that Kautsky does make), that such alliances would not be short-lived,

that they would preclude friction, conflicts and struggle in any and every possible form?

It suffices to state this question clearly to make any other reply than a negative one impossible; for there can be *no other* conceivable basis, under capitalism, for partition of spheres of influence, of interests, of colonies, *etc.*, than a calculation of the *strength* of the participants, their general economic, financial, military and other strength. Now, the relative strength of these participants is not changing uniformly, for under capitalism there cannot be an *equal* development of different undertakings, trusts, branches of industry or countries. Half a century ago, Germany was a pitiable nonentity as compared with Britain so far as capitalist strength was concerned. The same with Japan as compared with Russia. Is it "conceivable" that in ten or twenty years' time the relative strength of the imperialist powers will have remained *un*changed? Absolutely inconceivable.

Therefore, "inter-imperialist" or "ultra-imperialist" alliances, in the realities of capitalism and not in the petty-bourgeois phantasies of English clergymen or the German "Marxist" Kautsky, no matter in what form these alliances be concluded, whether of one imperialist coalition against another or of a general alliance of *all* the imperialist powers, *inevitably* can be only "breathing spells" between wars. Peaceful alliances prepare the ground for wars and in their turn grow out of wars. One is the condition of the other, giving rise to alternating forms of peaceful and non-peaceful struggle *on one and the same* basis, that of imperialist connections and inter-relations of world economics and world politics. But the sage Kautsky, in order to pacify the workers and to reconcile them with the social-chauvinists who have deserted to the side of the bourgeoisie, *breaks* one link of a whole chain from the others, separates to-day's peaceful (and ultra-imperialist, nay ultra-ultra-imperialist) alliance of *all* the powers for the "pacification" of China (remember the suppression of the Boxer Rebellion [23]) from the non-peaceful conflict of to-morrow, which will prepare the ground for another "peaceful" general alliance for the partition, say, of Turkey, on the day after to-morrow, *etc., etc.* Instead of showing the vital connection between periods of imperialist peace and periods of imperialist wars, Kautsky puts before the workers a lifeless abstraction solely in order to reconcile them to their lifeless leaders.

An American writer, Hill, in his *History of Diplomacy in the International Development of Europe,* points out in his preface the following periods of modern diplomatic history: (1) the revolutionary period; (2) the constitutional movement; (3) the present period of "commercial imperialism." *

Another writer divides the history of Great Britain's "foreign policy" since 1870 into four periods: (1) the Asiatic period: struggle against Russia's advance in Central Asia towards India; (2) the African period (approximately 1885-1902): struggles against France over the partition of Africa (the Fashoda affair, 1898, a hair's-breadth from a war with France); (3) the second Asiatic period (treaty with Japan against Russia); and (4) the "European" period, chiefly directed against Germany.**

"The political skirmishes of outposts are fought on the financial field," wrote Riesser, the banker, in 1905, showing how French finance capital operating in Italy was preparing the way for a political alliance between the two countries, how a struggle was developing between Germany and Britain over Persia, a struggle among all the European capitalists over Chinese loans, *etc.* Behold, the living reality of peaceful "ultra-imperialist" alliances in their indissoluble connection with ordinary imperialist conflicts!

The glossing over of the deepest contradictions of imperialism by Kautsky, which inevitably becomes a decking-out of imperialism, leaves its traces also in this writer's critique of the political features of imperialism. Imperialism is the epoch of finance capital and of monopolies which introduce everywhere the striving for domination, not for freedom. The result of these tendencies is reaction all along the line, whatever the political system, and extreme intensification of antagonisms in this domain also. Particularly acute also becomes national oppression and the striving for annexation, *i.e.,* the violation of national independence (for annexation is nothing else than a violation of the right of nations to self-determination). Hilferding justly draws attention to the relation between imperialism and the intensification of national oppression.

But in the newly opened-up countries—he writes—the imported capital intensifies antagonisms and excites the constantly growing resistance of the

* David Jayne Hill, *A History of Diplomacy in the International Development of Europe,* Vol. I, p. x.

** Schilder, *op. cit.,* I, p. 178 *ff.*

people, who are awakened to national consciousness against the intruders. This resistance can easily become transformed into dangerous measures directed against foreign capital. Former social relations become completely revolutionised. The agrarian fetters that for a thousand years have bound the "nations beyond the pale of history" are broken, and they themselves are drawn into the capitalist whirlpool. Capitalism itself gradually provides the vanquished with the ways and means for their emancipation. And they set out to achieve that goal which once was the highest for the European nations: the construction of a national united state as a means to economic and cultural freedom. This movement for independence threatens European capital precisely in its most valuable and most promising fields of exploitation, and European capital can maintain its domination only by constantly increasing its military forces.*

To this must be added that it is not only in newly opened-up countries, but also in the old ones, that imperialism is leading to annexation, to increased national oppression, and, consequently, also to more stubborn resistance. While objecting to the growth of political reaction caused by imperialism, Kautsky leaves in the dark a question which has become very urgent, that of the impossibility of unity with the opportunists in the epoch of imperialism. While objecting to annexations, he presents his objections in such a form as will be most acceptable and least offensive to the opportunists. He addresses himself directly to a German audience, yet he obscures the most timely and important points, for instance, that Alsace-Lorraine is an annexation by Germany.[24] In order to appraise this "mental aberration" of Kautsky's, we shall take the following example. Let us suppose that a Japanese is condemning the annexation of the Philippine Islands[25] by the Americans. Are there many who will believe that he is protesting because he abhors annexations in general, and not because he himself has a desire to annex the Philippines? And shall we not be constrained to admit that the "fight" the Japanese is waging against annexations can be regarded as sincere and politically honest only if he fights against the annexation of Korea by Japan,[26] and demands for Korea freedom of separation from Japan?

Kautsky's theoretical analysis of imperialism and his economic and political critique of imperialism are permeated *through and through* with a spirit absolutely irreconcilable with Marxism, a spirit that obscures and glosses over the most basic contradictions of imperialism, and strives to preserve at all costs the crumbling unity with opportunism in the European labour movement.

* Hilferding, *op. cit.*, pp. 433, 434.

CHAPTER X

THE PLACE OF IMPERIALISM IN HISTORY

We have seen that by its economic essence imperialism is monopolist capitalism. This fact alone determines the place of imperialism in history, for monopoly growing up on the basis of free competition, and precisely out of free competition, is the transition from the capitalist to a higher social economic order. We must take special note of four main aspects of monopolies, or principal manifestations of monopoly capitalism, which are characteristic of the period under discussion.

First, monopoly arose out of the concentration of production at a very high stage of development. This refers to the monopolist capitalist combines: cartels, syndicates and trusts. We have seen the important part they play in modern economic life. Towards the beginning of the twentieth century, they acquired complete supremacy in the advanced countries, and although the initial steps towards the formation of combines were first taken by countries with high protective tariffs (Germany, America), Great Britain, with her system of free trade, was not far behind in revealing the same fundamental fact, namely, the birth of monopolies out of the concentration of production.

Second, monopolies have accelerated seizure of the most important sources of raw materials, especially for the coal and iron industry, which is the basic and most highly trustified industry in capitalist society. The monopolistic control of the most important sources of raw materials has enormously increased the power of big capital, and has sharpened the antagonism between trustified and non-trustified industry.

Third, monopoly arose out of the banks. The banks changed from modest intermediary enterprises into the monopolists of finance capital. Some three or five of the biggest banks in any of the most advanced capitalist countries have achieved a "personal union" of industrial and banking capital, and have concentrated in their hands the control of billions upon billions, which form

the greatest part of the capital and revenue of an entire country. A financial oligarchy, creating a close network of ties of dependence upon all the economic and political institutions of contemporary bourgeois society without exception—this is the most striking manifestation of this monopoly.

Fourth, monopoly arose out of colonial policy. To the numerous "old" motives of colonial policy finance capital has added the struggle for sources of raw materials, for the export of capital, for "spheres of influence," *i.e.*, spheres of good business, concessions, monopolist profits, and so on; in fine, for economic territory in general. When the colonies of the European powers in Africa comprised only one-tenth of that territory, as was still the case in 1876, colonial policy was able to develop in a non-monopolist manner, like "freebooters" taking land, so to speak. But when nine-tenths of Africa had been seized (by 1900); when the whole world had been divided up, there was inevitably ushered in a period of monopolist possession of colonies, and, consequently, of particularly intense struggle for the partition and for the re-partition of the world.

The extent to which monopolist capital has intensified all the contradictions of capitalism is generally known. It is sufficient to mention the high cost of living and the heavy hand of the cartels. This intensification of contradictions constitutes the most powerful driving force in the transitional period of history, which began at the time of the final victory of world finance capital.

Monopolies, oligarchy, striving for domination instead of striving for liberty, exploitation of an increasing number of small or weak nations by an extremely small group of the richest or most powerful nations—all these have given birth to those distinctive characteristics of imperialism which compel us to define it as parasitic or decaying capitalism. More and more prominently there appears, as one of the tendencies of imperialism, the creation of the "rentier-state," the usurer state, whose bourgeoisie lives more and more on capital exports and by "clipping coupons." It would be a mistake to believe that this tendency to decay precludes a rapid growth of capitalism. It does not; in the epoch of imperialism, now one, now another of these tendencies is displayed, to greater or less degree by certain branches of industry, by certain strata of the bourgeoisie, and by individual countries. As a whole,

capitalism is growing far more rapidly than before, but not only is this growth becoming more and more uneven, but also this unevenness is showing itself in particular in the decay of the countries which are richest in capital (such as England).

With regard to the rapidity of Germany's economic development, Riesser, the author of researches on the big German banks, states:

> The progress, which was not exactly slow, of the preceding period (1848-1870), bears about the same ratio to the speed with which Germany's economy as a whole together with German banking advanced during the period under consideration (1870-1905), as the ratio of the speed of a post-chaise in the days of the Holy Roman Empire's German nation to that of the modern automobile, which indeed often moves so fast that it becomes a danger both to the harmless strolling pedestrian and to the occupants themselves.*

In its turn, this finance capital, which has grown so extraordinarily rapidly, is not unwilling (precisely because it has grown so quickly) to pass on to a more "peaceful" possession of colonies available for seizure—and not only by peaceful methods—from richer nations. In the United States, economic development during the last decades has been still more rapid than in Germany, and precisely *for this reason* the parasitic character of modern American capitalism has stood out so prominently. On the other hand, a comparison between, say, the republican American bourgeoisie with the monarchist Japanese or German bourgeoisie shows that the greatest political differences become very much toned down during the imperialist period—not because they are unimportant in themselves, but because throughout it is a case of a bourgeoisie showing definite traits of parasitism.

The receipt of monopolistically high profits by the capitalists of one of numerous branches of industry, of one of numerous countries, *etc.*, makes it economically possible for them to bribe individual strata of the workers, and sometimes also a fairly considerable minority of them, and win them to the side of the bourgeoisie of an industry or nation, against all the others. The intensification of antagonisms between imperialist nations for the partition of the world increases this tendency. And so there is created that bond between imperialism and opportunism, which revealed itself first and most clearly in England, owing to the fact that cer-

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* Riesser, *op. cit.*, p. 354.—*Ed.*

tain features of imperialist development were apparent there much earlier than in other countries.

Some writers, L. Martov for example, like to evade the fact that there is a connection between imperialism and opportunism in the labour movement, a fact which is particularly striking at the present time, by resorting to "officially optimistic" arguments (à la Kautsky and Huysmans) like the following: the cause of the opponents of capitalism would be hopeless if it were precisely advanced capitalism that fostered opportunism, or if it were precisely the best paid workers who inclined towards opportunism, *etc.* We must have no illusions about the meaning of "optimism" of this kind. This is optimism with an eye to opportunism; it is optimism which serves to cloak opportunism. As a matter of fact the extraordinary rapidity and the particularly revolting character of the development of opportunism by no means serve as a guarantee that its victory will be lasting, just as the rapid growth of a malignant abscess on a healthy body can only cause it to burst the more quickly and hasten to relieve the body of it. Most dangerous in this respect are those people who do not wish to understand that the fight against imperialism is a sham and a fraud unless it is inseparably bound up with the fight against opportunism.

From all that has been said above on the economic essence of imperialism, it follows that it must be characterised as capitalism in transition, or, more precisely, as dying capitalism. It is very instructive in this connection to note that the bourgeois economists, in describing the newest capitalism, currently employ terms like "interlocking," "absence of isolation," *etc.;* banks are "enterprises which, by their functions and course of development, are not purely private business enterprises; more and more they are growing out of the sphere of purely private business regulation." And the same Riesser who spoke these last words, declares in all seriousness that the "prophecy" of the Marxists concerning "socialisation" "has not been realised"!

What, then, is the meaning of this little word "interlocking"? It applies only to the most striking aspect of the process going on before our eyes. It shows that the observer cannot see the forest for the trees. It slavishly copies the external, the fortuitous, the chaotic. It reveals him as a man overwhelmed by the mass of ma-

terial and wholly incapable of appreciating its meaning and importance. Ownership of shares of stock and relations between owners of private property "interlock accidentally." But the foundation of this interlocking, that which constitutes its base, is the changing social relations in production. When a big enterprise becomes a gigantic one and, working on the basis of exactly computed mass data, systematically organises the supply of primary raw materials to the extent of two-thirds or three-fourths of all that is necessary for tens of millions of people; when these raw materials are transported to the most suitable places of production, sometimes hundreds or thousands of miles from each other, in a systematic and organised manner; when one centre controls all the successive stages of working up the raw materials right up to the manufacture of numerous varieties of finished articles; when these products are distributed according to a single plan among tens and hundreds of millions of consumers (the marketing of oil in America and Germany by the American Oil Trust), then it becomes evident that we have socialisation of production going on right before our eyes, and not mere "interlocking"; that private business relations, and private property relations, constitute a shell which is no longer suitable to its contents, a shell which must inevitably begin to decay if its removal is postponed by artificial means; a shell which may continue in a state of decay for a comparatively long period (particularly if the cure of the opportunist abscess is protracted), but which will inevitably be removed.

The enthusiastic admirer of German imperialism, Schulze-Gaevernitz, exclaims:

If the topmost management of the German banks lies in the hands of a dozen persons, their activity is nowadays even more important to the public welfare than that of most of the Ministers of State [the "interlocking" of bankers, ministers, big industrialists and rentiers is here conveniently forgotten]. . . . Let us imagine that the developmental tendencies which we have noted have attained their utmost consummation: the money capital of the nation is united in the banks; the banks are united in cartels; the capital of the nation seeking investment has been cast in the shape of securities. Then Saint-Simon's ingenious forecast is fulfilled: "The present anarchy in production, due to the fact that economic relations are developing without uniform regulation, must make way for organised production. Production will no longer be carried on by isolated entrepreneurs, independent of each other and ignorant of man's economic needs, but by a special social institution. The central board of administration, being able to survey the large field of social economy from a more elevated point of view, will regulate it for the benefit of the whole of

society, will put the means of production into suitable hands, and above all, will see to it that there is constant harmony between production and consumption. There are institutions that have assumed as part of their task a certain organisation of economic labour: the banks." This forecast is still far from fulfilment, but we are on the way to its fulfilment—Marxism, different from what Marx imagined, but different only in form! *

A fine "refutation" of Marx, we must say! It is a step backward from the precise, scientific analysis of Marx to the guesswork of Saint-Simon: the guesswork of a genius, but guesswork all the same.

* Schulze-Gaevernitz in *Grundriss der Sozialökonomik*, V, Part II, pp. 145-146.

EXPLANATORY NOTES

1. Lenin calls his book, *Imperialism as the Highest Stage of Capitalism*, "a popular outline." In reality, however, this book occupies an exclusive position in all Marxist literature devoted to imperialism. One of the most important major works of Lenin, it is linked closely with Marx's *Capital*. The development of Lenin's theory of imperialism in this book is a direct continuation of Marx's theory of capitalism. Marx uncovered the fundamental economic and class contradictions of capitalism and the laws of its development. He thus gave a scientific economic foundation to his teaching of proletarian revolution and the dictatorship of the proletariat. But neither Marx nor Engels lived to see the full development of imperialism. They witnessed merely its first steps (primarily in England). They therefore could foresee only in general outline the peculiarities and consequences of this new and highest stage of the development of capitalism. In the development of capitalist combinations (stock companies, trusts, syndicates), in the growing centralisation of production and its concentration in the hands of small groups of the biggest capitalists ("magnates of capital") and in the growth of their *monopoly, i.e.*, of their exclusive domination over the national economy, Marx and Engels already foresaw the advance of an epoch when further capitalist development would become impossible and when the breakdown of capitalism would ensue.

It is just this epoch that Marx had in mind when he stated in Volume I of *Capital* (Chapter 24, p. 846, International Publishers, 1929) that "While there is thus a progressive diminution in the number of the capitalist magnates, who usurp and monopolise all the advantages of this transformative process, (*i.e.* the transformation that produces capitalism in the technique of production and the entire national economy.—*Ed.*), there occurs a corresponding increase in the mass of poverty, oppression, enslavement, degeneration, and exploitation; but at the same time there is a steady intensification of the wrath of the working class—a class which grows ever more numerous, and is disciplined, unified, and organised by the very mechanism of the capitalist method of production. Capitalist monopoly becomes a fetter upon the method of production which has flourished with it and under it. The centralisation of the means of production and the socialisation of labour reach a point where they prove incompatible with their capitalist husk. This bursts asunder. The knell of capitalist private property sounds. The expropriators are expropriated." And it is this very stage of the development of capitalism as its highest and final stage that Engels has in mind in his *Anti-Dühring* when speaking of the "monopoly" of the trusts. He says there that "not a single people would reconcile itself to a system of production that is regulated by trusts with the undisguised exploitation of society as a whole by a small band of coupon-clippers." He states that even the passing of production into the hands of the capitalist state (*i.e.*, state capitalism in a bourgeois state) will not save capitalism from destruction because by such a transfer "capitalist relationships are not set aside but are, on the contrary, made more acute; this intensification however will be the last step in their development." But all this was only a forecast in the most general terms. Marx and Engels could not as yet observe the peculiarities of the new epoch of monopoly capitalism (or in other words, imperialism) in their *developed* state.

To uncover these peculiarities, to show what new and much sharper forms are assumed by the development of the economic and class contradictions of

capitalism during the epoch of imperialism, in what manner they transform this epoch into the "eve of socialism" and into the epoch of proletarian revolutions, creating all the necessary preliminary conditions for it—all this fell to the share of Lenin. By accomplishing this task in his book, *Imperialism as the Highest Stage of Capitalism*, Lenin supplied a scientific foundation for the further development of the Marxist teaching of the proletarian revolution and the dictatorship of the proletariat, for its transformation into what we now call Leninism. Leninism grew on the theoretical base of Marxism in the epoch of imperialism, and Lenin's teaching of proletarian revolution and dictatorship in each of its propositions rests on that understanding of Marxism which is unfolded in this book of Lenin. The Leninist teaching of imperialism lies at the foundation of the program of the All-Union Communist Party as well as the program of the Communist International as a whole. This teaching served for Lenin himself, has served and continues to serve for our Party and the Communist International as a whole, as the starting point for the solution of all the questions of strategy and tactics of the struggle against capitalism, all the time, from the imperialist war until the present. This teaching also serves as a mighty weapon both in the struggle against the Second International, against the theoretical justification of imperialism, against the obsequiousness and subservience to imperialism on the part of that International, and in the struggle against the opportunist "left" and "right" currents in the Communist Parties themselves.

The Second International, in the person of its "theoreticians" such as Hilferding and Company, explains its policy of betrayal of the working class and obsequiousness to the bourgeoisie by the theory of so-called "organised capitalism," *i.e.*, of capitalism that is presumably able precisely in the epoch of imperialism to eliminate the contradictions sundering it and to create production without crises developing in accordance with a plan. This theory of the Second International serves at present as the basis for its denial of the proletarian revolution, of its struggle against the revolution and for its opportunist teaching of the growing into socialism through collaboration with the bourgeoisie, through so-called "political and economic democracy." One of the sources of this theory of "organised capitalism," its original expression, was the theory of "ultra-imperialism" ("super-imperialism") of Kautsky which had its origin simultaneously with the Leninist teaching of imperialism, during the period of the Imperialist War, and it was especially created to vindicate social-chauvinism. This theory forecast a development of imperialism that would do away with the contradictions of capitalism, first of all in the international sphere by means of "the unification of the imperialisms of the entire world" and the abolition of war, by means of "internationally consolidated finance capital." Lenin in *Imperialism as the Highest Stage of Capitalism* (see Chapters VII and IX) and in another pamphlet written at an earlier date, *The Collapse of the Second International* (see Chapters 4 and 9; V. I. Lenin, *Collected Works*, Vol. XVIII, pp. 273-322; reprinted in *Little Lenin Library*, Vol. 2, pp. 7-55) gave an annihilating criticism of this theory of "ultra-imperialism" as "ultra-rubbish," as an anti-Marxist reformist theory *dulling the contradictions of capitalism*. By this criticism and his entire teaching of imperialism as the epoch of the *greatest intensification* of all the contradictions of capitalism, Lenin supplied an irreplaceable weapon for the struggle against the modern opportunist theory of organised capital preached by the leaders of the Second International.

Trotskyism, together with the group of Zinoviev-Kamenev, opposing in 1925-1927 Lenin's teaching of the possibility of the victory of socialism in a single country, a teaching based on Lenin's understanding of imperialism, really continued that struggle against Leninism that was conducted by Trotsky during the Imperialist War. During the years of the war, Trotskyism, as was shown by Lenin in a series of articles, passed from disguised liquidatorship to social-chauvinism disguised by "Marxian phrases," joining in this respect Kautsky and Company. At that time Trotsky opposed the Leninist

slogans of converting the imperialist war into civil war and of the victory of socialism gained at first in one or several countries. As against these Leninist slogans, Trotsky supported the slogan of a United States of Europe "without monarchies and standing armies," *i.e.*, the slogan of the bourgeois democratic unification of Europe which in his opinion was an indispensable condition for the victory of the Socialist revolution. This slogan of Trotsky was nothing else but a Kautskyian recognition of the possibility of "the unification of the imperialisms" of Europe into a single European super-imperialism. He attributed to "modern economy," *i.e.*, to imperialism, "a really liberating historical mission: the construction of a unified world economy, independent of national frontiers and state-customs toll gates" (Trotsky, "Program of Peace," *War and Revolution*, Vol. II, pp. 477-503, Russian edition). Out of this very unification of world economy under imperialism Trotsky drew the conclusion as to the impossibility of a lasting victory of the proletarian revolution and the building of socialism in any one country, especially in Russia. Thus, Trotsky's denial of the victory of socialism in one country had its basis in the anti-Leninist, Kautskyian, reformist conception of imperialism. The Trotsky struggle against Leninism during the years of the war was a struggle that had its basis in Kautskyianism and in reality remained on that basis in 1925-1927. Lenin's teaching of imperialism and his annihilating criticism of Kautskyianism and Trotskyism during the years of the war gave our Party an irreplaceable weapon also for victory over Trotskyism during the period of the XIV-XV Congresses.

A similarly irreplaceable weapon was supplied by these teachings also for the struggle against right opportunism in the ranks of the All-Union Communist Party. In the questions concerning the conception of imperialism this right opportunism also degenerated into the theory of "organised capitalism" developed out of the Kautskyian "super-imperialism." As early as during the period of the Imperialist War, Comrade Bukharin uttered thoughts bringing his viewpoint on imperialism very close to that of Kautsky and Hilferding. In Bukharin's work, *Imperialism and World Economy*, written in 1915, we find:

". . . There is a process taking place transforming capital divided into 'national' groups into a single world organisation, a universal world trust opposed by the world proletariat.

"Speaking in an abstract, theoretical way such a trust is perfectly thinkable, for, generally speaking, there is no economic limit to the process of cartelisation." (Page 135.) The author proceeds to quote Hilferding on the possibility of a single trust, announcing his complete agreement with Hilferding on this question.

No less characteristic are Comrade Bukharin's arguments on this question in his later theoretical work, *Imperialism and the Accumulation of Capital* (1925, Russian edition). Here, too, "considering the question from an abstract theoretical point of view" Comrade Bukharin writes about "the *collective-capitalist order* (state capitalism), where the capitalist class is united into a single trust and where consequently we have an *organised*, but at the same time, from the *class point of view*, an antagonistic economy." From this he draws the following conclusion: "Hence no crisis of overproduction is *here* (with a single trust.—*Ed.*) *possible of arising*. The course of production in general runs smoothly. The stimulus of production and of the production plan is the consumption of the capitalist." (Page 84, *Editor's italics.*)

Starting from the point of view of the possibility of planned economy under imperialism, Bukharin stage by stage comes in his well-known articles in the *Pravda* of May 26th and June 30th, 1929 ("Some Problems of Modern Capitalism as Treated by Theorists of the Bourgeoisie" and "Theory of Organised Economic Anarchy") to the opportunist evaluation of the contemporary period of imperialism. To be sure, he no longer speaks of a single *world* trust, of the possibility of a planned *world* economy. Instead, however, Bukharin goes to another no less opportunist extreme. All the contradictions of im-

perialism and all their intensification is transferred by Comrade Bukharin to the international field and in that way all the possibilities of proletarian revolutions are linked *exclusively* with the sharpening of international contradictions, international clashes between imperialist countries and for that reason with the inevitability of imperialist wars. Instead of the "abstract" possibility of "a single *world* trust," we now have, according to Bukharin, the real possibility of a single trust *within* the individual imperialist country, in the form of "state capitalism" which, in his opinion, signifies "the dying off of competition *within* the capitalist country and the greatest *sharpening* of the competition between capitalist countries." This means nothing else than the possibility of a crisis-less, planned development of capitalism within the individual capitalist countries, and consequently, not the sharpening but the dulling of the contradictions of capitalism within these countries. The opportunism of this theory is quite apparent, it approaches very closely the argumentation of the "theorists" of the Second International concerning organised capitalism, inasmuch as it is concerned with the "dying off of competition" and capitalism without crises *within* the imperialist countries. On the other hand, this theory cannot possibly be reconciled with the Leninist teaching of the imperialist epoch as an epoch of the greatest sharpening of the contradictions of capitalism, not merely of the international contradictions but also of the contradictions within each imperialist country. In subjecting in his book, *Imperialism as the Highest Stage of Capitalism*, the viewpoints of Kautsky and the bourgeois economists on imperialism to the most devastating criticism, Lenin rejects as a "fable spread by bourgeois economists who at all costs want to put capitalism in a favourable light" (page 27) all suggestions of the possibility of a planned economy without crises in the epoch of imperialism. He proves that in this epoch, on the contrary, monopoly "increases and intensifies the state of chaos inherent in capitalist production *as a whole*" (*ibid.*) *notwithstanding* the development of combinations of capitalists, notwithstanding the aspiration of monopoly capitalism to destroy free competition within each country. These parts of Lenin's book seem to be originally directed against contemporary right opportunism and its treatment of the present period of imperialism.

Lenin's book, *Imperialism as the Highest Stage of Capitalism*, being the basis of the Leninist teaching of proletarian revolution, serves at the same time as the best key to the understanding of the positions and the slogans of Lenin during the period of the Imperialist War and the period of the struggle for a proletarian dictatorship in Russia (1917). At the same time it serves as a key also to the struggle that was conducted by Lenin on "two fronts"—against all the various species of social-chauvinism on the one hand and against the "left" deviation in the ranks of Bolshevism at that time (the group of Bukharin-Pyatakov, etc.) on the other hand.—p. 1.

2. This preface was first published a year after it was written, in the *Communist International*, No. 18, 1921, under the title, "Capitalism and Imperialism." In the German and French editions of *Imperialism as the Highest Stage of Capitalism*, 1920, this preface is missing.—p. 9.

3. The Brest-Litovsk Peace was concluded by the Soviet Government with Germany, Austria-Hungary, Bulgaria and Turkey. The peace agreement was signed by the Soviet delegation in the city of Brest-Litovsk at the peace conference of March 1-3, 1918, and was ratified by the IV Extraordinary Congress of the Soviets on March 15, after the VII Congress of the Party had adopted the motion of Lenin and the Central Committee on the conclusion of peace. That was preceded by protracted negotiations with Germany which lasted from December 2, 1917, and a no less protracted struggle for the conclusion of peace within the Party and its Central Committee with the "Left Communists" headed by Comrade Bukharin and Trotsky. Lenin categorically insisted that peace be concluded "by ceding territory and gaining time," in

order to secure a "breathing space" in which to strengthen the proletarian dictatorship, organise the Red Army, and break the sabotage and resistance of the counter-revolution within the country. The group of "Left Communists," headed by Comrade Bukharin, conducted a struggle against Lenin, considering the conclusion of peace to be a betrayal of the proletarian revolution. The Moscow Regional Bureau of the Party, guided by Comrade Bukharin, adopted a resolution in which it recognised the possibility of going as far as losing the Soviet power in Russia in order to kindle the world revolution. In this resolution the Moscow Bureau expressed non-confidence in the Central Committee headed by Lenin. Trotsky took a position close to that of the "Left Communists," defending a policy expressed in the formula: "No continuation of the war; no conclusion of peace."

The point of view of the "Left Communists" and Trotsky was subjected to a devastating criticism by Lenin both in his oral addresses, particularly at the VII Congress of the Party, and in the press. The resistance of the "Left Communists" and the position of Trotsky led to a considerable delay in the conclusion of peace, and peace had to be concluded on more unfavourable conditions than had been possible in December, 1917. According to the Brest-Litovsk Peace Agreement, the Soviets lost Latvia, Esthonia and a part of White Russia; Germany retained part of Poland and Lithuania, occupied by it during the war; and the Soviet Government agreed to "withdraw" not only from Latvia and Esthonia, but also from the Ukraine and Finland. In November, 1918, in connection with the revolution in Germany, the Soviet Government annuled the Brest-Litovsk Peace Treaty.—p. 11.

4. The Versailles Peace (named after the city of Versailles near Paris, France) was concluded as a result of the Imperialist War of 1914-1918 between Germany and its allies on the one hand and the Allied Powers at war with them (Great Britain, France, United States, Serbia, Italy, Japan) on the other hand. If the Brest-Litovsk Peace disclosed the grasping predatory purposes of the war on the part of Germany, the Versailles Peace confirmed the predatory war purposes on the part of France, Great Britain and their allies. According to the Versailles Treaty—signed on June 28, 1919, after the armistice declared in November, 1918—Germany and Austria lost much of their European territory. The colonies were taken away from Germany and distributed among the victors. Germany was practically entirely disarmed and its arms, including the navy, were taken away by the victorious countries. An excessively high tribute was imposed upon Germany and it was to be paid partly in gold and partly in kind, with coal, building materials, machinery, dyes, etc. This tribute ("reparations") is even now, as is well known, a heavy burden upon the working class and other toiling masses of Germany because the bourgeoisie, as always, transfers the burden of its payments through the state to the shoulders of the toiling classes exploited by it and its state.—p. 11.

5. The Independent Social-Democratic Party of Germany was formed in April, 1917, at a conference in Gotha, under the leadership of the Centrists, Haase, Kautsky and Ledebour. In 1920 it had a membership of 800,000. At the Halle Congress of the Party, October, 1920, a proposal to affiliate to the Communist International was defeated by 236 votes against 156. This led to a split and 300,000 members left to join the Communist Party of Germany. In 1922 the I. S.-D. P. affiliated to the Vienna Two-and-a-Half International and in October of the same year returned to the German Social-Democratic Party.—p. 13.

6. The *Spartakusbund* (Spartacus League) was an illegal organisation founded at the beginning of the war by Karl Liebknecht, Rosa Luxemburg, Franz Mehring, Leo Jogisches, Clara Zetkin and others. It rallied the revolutionary elements in the old Social-Democracy for a struggle against the war and against the social-patriotism and class collaboration of the leadership of

the Social-Democracy which had completely gone over to the bourgeois camp. A series of leaflets which it had issued under the name of Spartacus caused the group to be called the Spartacus League. (Spartacus—a Thracian leader of gladiators who led an uprising of slaves against Rome, 73-71 B.C.). When the I. S.-D. P. was formed, the Spartacus League affiliated to it, but stated at the convention that it not only reserved its freedom of agitation and criticism but also its independence of organisation and action. At the National Conference of the League at Gotha in 1918 it was decided to separate from the I. S.-D. P. In December, 1918, the Communist Party of Germany was formed, of which the main body consisted of the Spartacus League.—p. 13.

7. The Spanish-American War of 1898 was conducted by the United States of America against Spain for the purpose of seizing the Antilles, Philippines, etc., islands in the Atlantic and Pacific, under the pretext of struggling for the "liberation" of these islands from the Spanish yoke. This war is one of the illustrations of Lenin's thesis concerning the struggle of the imperialist countries for a re-division of the world. The largest islands of the Antilles (Cuba, Puerto Rico) supply a base for domination and control over Mexico, the Republics of Central America and the northern half of South America. In addition, by seizing these islands in the Atlantic Ocean, the United States received the key to the Panama Canal (see Note 14) connecting the Atlantic and Pacific Oceans. The Philippine Islands on their part were to serve the United States as a base in the Pacific Ocean for penetration into China, Indo-China and as a vantage in relation to Japan and Australia, as well as for control over the movement of European ships to Eastern Asia. These conditions played a decisive part in the causes of the war between the United States and Spain.

The Spanish-American War was concluded by the Paris Peace Treaty of December 10, 1898. In accordance with this treaty, Spain was compelled to withdraw from the islands of Cuba, Guam, Puerto Rico and the Philippines. Cuba was declared "independent" but when the Spanish withdrew, the American troops remained there and the United States started to rule in Cuba as if it were its colony. Later, by legislative action and agreements with Cuba concluded in 1901 and subsequent years, Cuba was transformed into a colony of the United States. For the purpose, however, of transforming the Philippines into its colony the United States started a new war against these islands after the withdrawal of Spain and this war was concluded with the "pacification" of the Philippines in 1901. (See Note 25).—p. 15.

8. The Anglo-Boer War of 1899-1902 was waged by England in South Africa against the Boer republics of Transvaal and Orange. The Boers (from the Dutch word meaning peasant) were descendants of immigrants from Holland, who had settled in South Africa as early as the 17th century, and in the 19th century had organised there the two above-mentioned republics, dependent neither on Holland nor on any other European country. England, which was gradually surrounding the Transvaal and Orange with its own colonies, several times attempted to convert these republics also into colonies. Towards the end of the 19th century, when the exploitation of the precious stone and gold mines began, England first started invasion of the Transvaal and after that formally declared war on both republics, which concluded a military alliance between themselves. The war continued with varying success for almost four years. Against an entire population of the Boers of 645,000 during the war, England sent about 500,000 officers and men and mobilised them in the South African colonies. The English imperialists, interested in the profitable market for investment of capital, dealt ruthlessly with the armies and civilian population of the Boer republics. As a result of the war the Boer republics were annexed by Great Britain. The war cost the English bourgeoisie about a billion dollars.—p. 15.

9. In speaking about Hilferding's mistake in the theory of money, Lenin had in mind chiefly Chapter 2 of his *Finanzkapital*. In this chapter Hilferding tries to "deepen" Marx and "correct" him by referring to facts about Austrian and Indian economy. Marx in his introduction to *A Critique of Political Economy*, and in Chapter 3 of Vol. I of *Capital*, defines the value of paper money based upon the value of metallic (gold) money, in relation to which the paper money is only a sort of substitute. The circulation of paper money, according to Marx, may be understood on the basis of the laws of circulation of gold. Hilferding, however, in contradistinction to Marx, asserts that "under pure paper-money circulation . . . paper money . . . *assumes complete independence of the cost of gold and directly reflects the cost of goods* (*Ital. Ed.* See p. 19, *Finanzkapital*, Wien, 1923). Hilferding also formulates his disagreement with Marx in the note on pp. 44-45 of the same edition. These revisionist positions taken by Hilferding met with sharp opposition in Marxist (some German) literature. Kautsky, who had not yet become a traitor to Marxism, refuted Hilferding in 1911 in the theoretical organ of the German Social-Democracy, *Die Neue Zeit*.—p. 15

10. "Founders' profit" (*Gründergewinn*) is usually secured by a founder upon the organisation or reorganisation of a joint-stock company. Founders' profit is realised in the following manner: let us suppose that 100,000 shares of stock are issued, at a par of $100—altogether a sum of $10,000,000. The promoters can at once buy all the shares and invest $10,000,000 in the enterprise. Suppose the average profit to be 10 per cent. Then the capital of ten million will "cost" eleven million, and each share instead of $100, will be sold for $110. If the market is stable, the founders will be able to get rid of their shares on the stock exchange at the higher price, thereby getting an extra million dollars, which constitutes their founders' profit. The purchasers of these shares, in case of a fall in the market, pay for their gullibility. The means of securing founders' profits are extremely varied. Often an enterprise is organised solely for the sake of the founders' profit.—p. 49.

11. *Produgol*—abbreviated name of the syndicate, "Russian Society for Trade in the Mineral Fuels of the Donetz Basin," organised in 1906. Its personnel was made up of eighteen of the largest coal companies, almost all of which were tied up with French capital; 90-100 per cent of the basic capital of these giant corporations belonged to French business men. Before the war *Produgol* raised the price of coal at the point of production by 67 per cent, and in Moscow by 162 per cent above that in the Hughes District (Donetz Basin). In order to raise prices, *Produgol* held up production, thereby producing a fuel famine. During the Imperialist War *Produgol* was reorganised into a government-controlled organ.—p. 49.

12. *Prodamet*—abbreviated name of the syndicate "Society for the Sale of the Products of Russian Metallurgical Works." This syndicate had its inception in October, 1901, at the 26 Congress of Mine Owners of South Russia, which discussed the reasons for the crisis at that time and means of getting out of it. At the meeting, the engineer Yasyukovich introduced a "project for the uniting of the representatives of the southern metallurgical works." Yasyukovich's idea was not carried out in its entirety. Instead of the syndicating of all production, there took place the uniting of individual branches of the iron-making industry. To form the *Prodamet*, the biggest metallurgical enterprises of South Russia, with a capital of from 6 to 41 million rubles, combined, but the leading rôle in these enterprises was played by foreign capitalists, primarily the French, who carried on their activity through the biggest St. Petersburg banks. The syndicate set high prices on the domestic market (about 20-30 per cent higher than on the foreign market) by means of curtailment of supply; in 1911 this led to a cast iron shortage. In 1908 an attempt was made to convert the syndicate into a metallurgical trust. Formally,

this trust was not permitted by the government, but actually it worked beautifully, robbing the consumers by means of a systematic increase in prices.—p. 49.

13. Watering of capital consists in this: the actual capital is valued at a very much increased sum (*e.g.*, a capital of $5,000,000 is valued at $50,000,000), and shares are issued and sold on the basis of the latter sum. This manipulation makes it possible for the managers of an enterprise to lay their hands on a great deal of money. At a definite date (before the first bankruptcy) they pay the ones who have purchased their shares the usual rate of interest. After the bankruptcy, the directors feather their nests with the capital they have accumulated by the methods mentioned, and the broad masses of shareholders are ruined.—p. 49.

14. The *French Panama* refers to the digging of a canal connecting the Atlantic and Pacific Oceans, through the Isthmus of Panama which connects North and South America. Work on this canal was started for the first time in 1882 by the French Lesseps Company, which went bankrupt in 1888. The canal was not completed until 1913, by the United States. In connection with the bankruptcy of the Lesseps Company, an enormous theft was discovered—bribery, fraud, and other swindles as well, in which not only the heads of the Lesseps Company participated, but also well-known political figures (Clemenceau, Loubet, and others). Since then the word "Panama" has come to be used as a designation for any big swindling operation.—p. 53.

15. Bagdad is a city in Arabia on the Tigris River, to which Germany planned to build a great railway (the Berlin-to-Bagdad Railway). It was to serve as a means of consolidating Germany's hegemony in Asia Minor and the Arabian peninsula and to open a road for its economic influence on India and Egypt, acting as a threat to the hegemony of England in these last two countries. To offset this German plan, which was cut short by the Imperialist War in 1914, two other plans for great railways were initiated: the English "3 C's"—Calcutta to Cairo to the Cape (South Africa); and the Russian plan of the "2 P's" (Petersburg to the Persian Gulf).—p. 54.

16. The commercial treaty between France and Russia, September 23, 1905, was concluded at a moment when the tsarist autocracy, faced with the growing first Russian Revolution, was compelled, in order to strengthen its position and put down the uprising, to apply to France for a large loan. It was the Revolution of 1905 which enabled France to "squeeze" the tsarist government by concluding this commercial treaty, with an eye to broad imports of French goods into Russia. The quantity of different kinds of French goods imported into Russia exceeded by about three times the quantity of Russian goods admitted into France. Russia exported exclusively raw materials (grain, leather, lumber, oil); France exported into Russia finished products (food products, perfumes, automobiles, etc.). The duty on the French goods was relatively small compared with the duty on the Russian. Although the treaty foresaw the possibility of a change, the actual state of affairs allowed France to make use of her advantages until the Revolution of 1917.—p. 60.

17. The commercial treaty between France and Japan, September 1, 1911, was concluded to the obvious advantage of France, since (1) French goods were exempted from duty in all Japanese colonies, whereas Japanese goods were exempted in only one French colony (Algeria), which bought almost none of the silk exported by Japan; (2) France by this treaty gained free importation into Japan of a number of things, such as sardines, various kinds of wine, soap, various kinds of perfume, automobiles, machinery, etc., while in return Japan was given free entry of raw silk alone.—p. 60.

18. A tariff war is an embittered economic struggle between two or more countries. The struggle is carried on by means of increased tariffs on goods of another country. This country in turn raises the tariff on the first country's goods, and this evokes a new increase in tariff on the part of the first. These quarrels may end in embargoes. A tariff war serves to presage war between capitalist countries. The tariff war between Austria and Serbia began in the first part of 1906. The formal reason for this was the agreement between Serbia and Bulgaria, which affected the interests of Austria; the latter protested and laid down an embargo which was a severe blow to the interests of the trading bourgeoisie and landowners of Serbia, who had been disposing of their cattle in Austria. In the latter part of 1906 the struggle was renewed. Austria demanded an open market for her war industries. Serbia bought munitions from France and was thoroughly bound to her by many obligations. The French burgeoisie demanded that the monopoly market of war supplies be protected, and the Serbian government had to give in, in spite of the obvious costliness of a cessation of trade with Austria. The representatives of the Austrian government openly, even in the press, declared that it would be impossible to lift the embargo on Serbian cattle unless Serbia bought Austrian munitions.—p. 60.

19. The "imperialism of ancient Rome," which carried on a policy of seizure and conquest, by force of arms subduing to its hegemony a great many countries in Europe, Asia and Africa, must not be confused with modern imperialism, just as, for instance, usury capital which existed before capitalism must not be confused with usury bank capital in the epoch of imperialism. The difference between the imperialism of ancient Rome and modern imperialism consists in the *difference of production bases*. Then it was small peasant and artisan production and commercial capital; now it is enormous machine production and monopoly capital. This example, among others, shows how incorrect it is to understand by the term "modern imperialism" only a "policy," and not a whole system of capitalist economy. The former point of view makes it impossible to understand the distinction between the imperialism of ancient Rome and modern imperialism.—p. 75.

20. In speaking of the importance to England of Bagdad as a base against Germany, Lenin refers to its importance for the struggle of English imperialism of that time against the predatory plans of Germany in Asia Minor, the Persian peninsula, India, and Egypt, in particular against the realisation of the German plan for building the Berlin-to-Bagdad Railway (see note 15).—p. 83.

21. In this introduction Engels wrote, among other things, as follows: "During the period of England's industrial monopoly the English working class has, to a certain extent, shared in the benefits of the monopoly. These benefits were very unequally parcelled out amongst them; the privileged minority pocketed most, but even the great mass had at least a temporary share now and then. . . . With the breakdown of that monopoly, the English working class will lose that privileged position."—p. 97.

22. Engels speaks of this (using literally the same words as Lenin does) in a footnote to Chapter VI, Part 1, Vol. III of *Capital* (p. 142, Kerr edition).—p. 103.

23. The Boxer Rebellion was an uprising of peasants in North China against foreign imperialists in the Spring of 1900. The uprising was supported by the Chinese bourgeoisie, which made use of the peasant movement for the purpose of pressure on the Chinese government, then a monarchy. Into this movement were drawn the broad peasant masses, starving after several years of bad harvest before the rebellion. The organisations leading the movement—I Hau-

Duan (League of Justice and Harmony), Da Chuan Huei (Society of the Big Fist), and others—had in their names the word "fist," and from this got the name "Boxers." The world bourgeoisie formed a united front against the rebels, and slaughtered them with the unified strength of the American, Russian, Western European, and Japanese armies. After the suppression of the insurrection China was presented with predatory demands by the "great powers": for the granting and widening of concessions in the largest cities (Peking, Tientsin, Shanghai, etc.), the granting of the right of foreigners to have their own military protection, and the payment of an indemnity of several hundred million dollars, which is still being paid at the present time. The U.S.S.R. refused the indemnity which fell to the lot of tsarist Russia.—p. 108.

24. Alsace and Lorraine are two provinces which belonged to France before the Franco-Prussian War of 1870-1871. As a result of that war they were annexed by Germany, and after the Imperialist War they were returned to France. Lenin calls the Alsace-Lorraine question an "important and current" question, because Alsace-Lorraine was one of the subjects of the war between the imperialists of Germany and France, and the German social-chauvinists, defending "their own" bourgeoisie, ignored the fact that Germany had seized Alsace-Lorraine in 1871.—p. 110.

25. The annexation of the Philippine Islands was accomplished by the United States through armed force. After the Spanish-American War of 1898 (see note 7), the Philippines, by the peace treaty with Spain, were to be transferred from her to the United States. But the very victory of the latter over Spain in the Philippines was gained to a great extent thanks to the help of the Philippine army of over 30,000 men, under the leadership of the Philippine revolutionist, Aguinaldo, who by deceit was drawn in by the United States to its side. At the end of the war with Spain, after the Spaniards had left the Philippines, Aguinaldo, in answer to the promise of the United States government that it would take over the government of the islands, declared the Philippines an independent republic. The United States sent an army of 140,000 men there. The struggle lasted over three years. Finally the natives were put to rout, their leader Aguinaldo was taken prisoner, and then punishment was meted out to the revolutionists (death sentences, ten-year prison terms, etc.). The struggle of the Philippine people against the United States for their independence cost them 600,000 lives, even by American figures. They were assured by President McKinley that nothing else than the will of God was fulfilled by these means. "I went down on my knees and prayed Almighty God for light and guidance more than one night," said McKinley. "And one night late it came to me this way—I don't know how it was, but it came: (1) That we would not give them [the Philippines] back to Spain—that would be cowardly and dishonourable; (2) that we could not turn them over to France or Germany—our commercial rivals in the Orient—that would be bad business and discreditable; (3) that we could not leave them to themselves—they were unfit for self-government—and they would soon have anarchy and misrule over there worse than Spain's was; and (4) that there was nothing left for us to do but to take them all, and to educate the Filipinos, and uplift and civilise and Christianise them, and by God's grace do the very best we could by them, as our fellowmen for whom Christ also died. And then I went to bed, and went to sleep, and slept soundly, and the next morning I sent for the chief engineer of the War Department (our map-maker), and I told him to put the Philippines on the map of the United States [pointing to a large map on the wall of his office], and there they are, and there they will stay while I am President!" (Charles S. Olcott, *The Life of William McKinley*, II, pp.110-111.)—p. 110.

26. Korea is a state in Asia, situated on the Korean Peninsula. China and Japan conducted a desperate struggle for it over a long period. From the

'nineties on, the struggle for the exploitation of Korea shifted to Japan and Russia. After the Russo-Japanese War of 1904-1905, Korea was annex~d by Japan, which took over the management of finances, post office, telegrap and telephone services, and foreign relations. Japan was given the so-called "protectorate" (seizure under the guise of protection) over Korea.—p. 110.